

BULLETIN

OF THE

National Association of Credit Men

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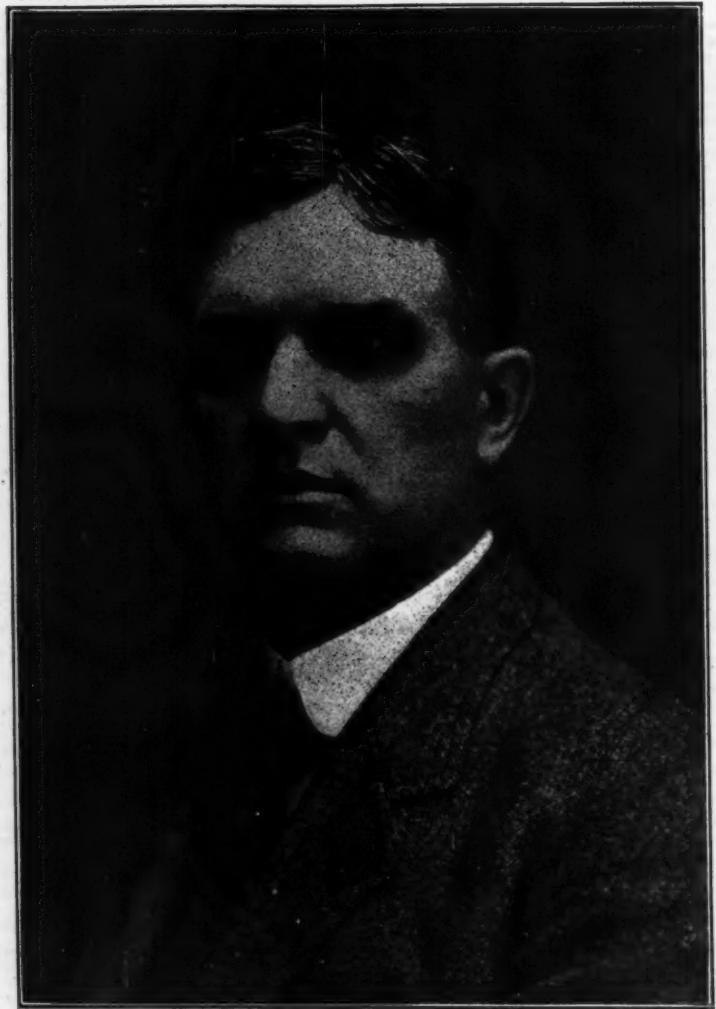
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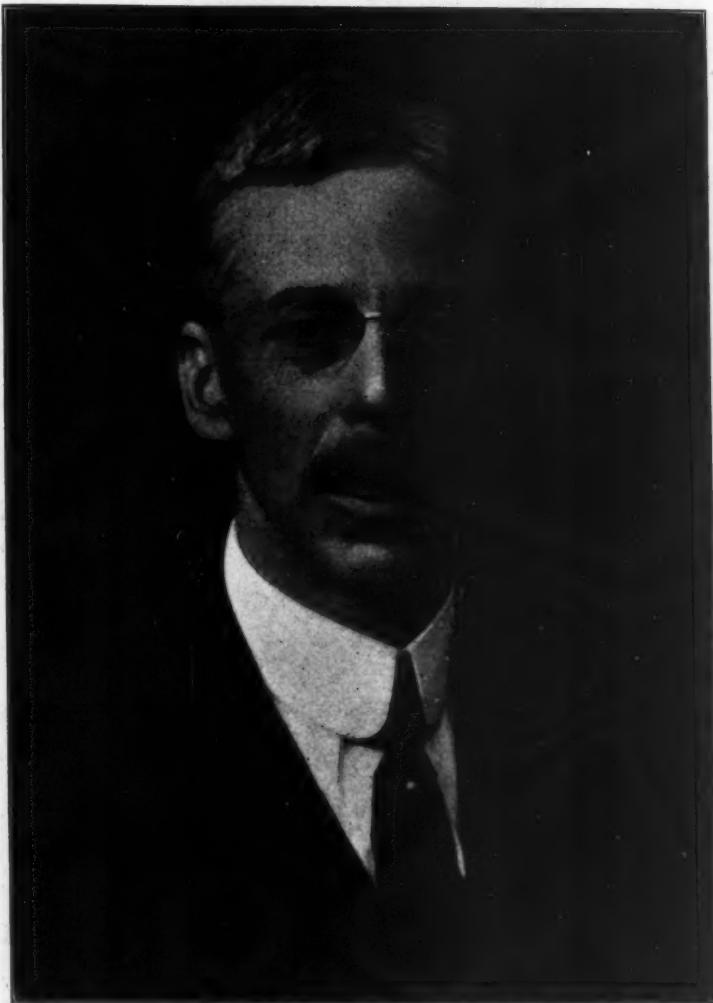
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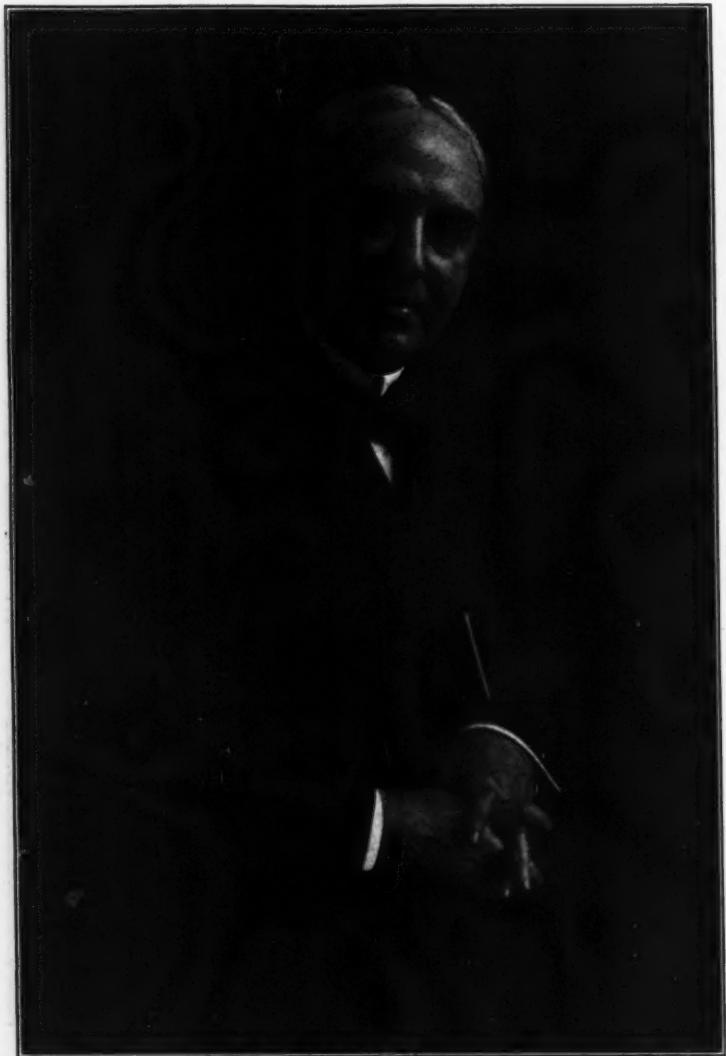
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CHARLES E. MEEK
Fourth National Bank, New York, N. Y.
First Vice-President



ENOCH RAUH
Rauh Bros. & Co., Pittsburgh, Pa.
Second Vice-President

Proceedings of Eighteenth Annual Convention of National Association of Credit Men, Held at Hotel Sinton, Cincinnati, Ohio, June 17, 18, 19 and 20, 1913

The opening session of the Eighteenth Annual Convention of the National Association of Credit Men held at the Lyric Theatre the morning of June 17, 1913, was preceded by a concert and picture display, including views of Cincinnati and enlarged photographs of the leading members of the National Association.

W. T. Johnston, chairman of the Entertainment Committee of the Cincinnati association presided over this entertainment prefacing his remarks by the following announcements:

When the Entertainment Committee was appointed President Mayer requested that it go the limit and prepare a hot time. (Laughter.) Our committee has been so busy on this entertainment work that I have been out every night for three weeks and last night when I left home, my little boy said to me, "Good-bye, daddy, call again." (Laughter.) We have done everything that we could think of to make your visit in Cincinnati a pleasure to you and a pleasure to us. Only the other day we took the matter up with some city officials, who asked us what we would like to have. They said: "We have prepared the parks and cleaned the streets, had the levee fixed up in good shape; we have had the Lyric Theatre prepared for you; what more does Cincinnati need to entertain the credit men and their ladies?" I replied that the only thing I knew of was two more good left hand pitchers. (Great laughter.)

According to the entertainment program for today, the ladies will be taken through the city of Newport, Kentucky, just opposite Cincinnati, in order that they may have an opportunity of seeing the birthplace of the chairman of this committee. (Great laughter.) I spoke to some of the officials in Newport last night and told them that I intended to pass through the town today; one of them said "We are very much obliged." (Laughter.) If any of the ladies, he said, desired to stop and look at the beautiful city of Newport, the fact that they were with me would not be held against them. So any ladies who desire to get off the car this afternoon, will have the pleasure of viewing the sights of Newport. There will be tea at the Altamont Hotel and a band concert at Fort Thomas.

In the evening there will be a reception to the president and other officers of the National Association in the hotel ballroom. There will be music, dancing and a collation will be served.

President F. R. Salisbury called the convention to order at 11.15 o'clock A. M.

President Salisbury—The first in order is the invocation by Rev. Guy Emery Shipler, Rector of the Church of the Epiphany, Cincinnati.

President Salisbury—The president of the Cincinnati association just before the meeting was called to order received a message from the Hon. James M. Cox, governor of Ohio, stating that he would be unable to be present to give an address of welcome on behalf of the state.

The address of welcome by the mayor of the city of Cincinnati, Mr. Henry T. Hunt, will be presented.

Address of Welcome for the City of Cincinnati by His Honor, Henry T. Hunt, Mayor of Cincinnati

Mr. Chairman, Ladies and Gentlemen:

I feel a very heavy responsibility in having to respond for Governor Cox, and I am sure you will be intensely disappointed because of his absence. The governor is a very eloquent speaker and would, if he were here, deliver a most brilliant address.

For my own part I find it difficult to know what to say to such an erudite and intellectual audience. I am sure you know more than I could impart to you in a hundred years. But I might say something about the city which I have the honor to represent and which is acting as your host.

Cincinnati is a city which has at least two functions, possessed and performed by no other city, so far as I am informed. In the first place we own a railroad some three hundred and forty miles long, which has the densest traffic of any single track railway in the United States. We leased that railway to the Southern Railway Company for enough to pay all the interest and sinking fund of the bonds, and about \$400,000 more which is pure velvet and is applied to other indebtedness of the city. During the construction of that property the people of this city bore a heavy burden because the bonds were sold at 7.3 per cent. in 1878 and thereafter; and for many years the people were compelled to pay taxes, in order to discharge that indebtedness year by year. During those years, of course, everything else was postponed. Our park system was not developed; our streets were neglected and the other functions which cities perform were by no means as well attended to here as elsewhere. It is only of late years, since the Southern Railway Company has brought in more than enough to pay the interest and sinking fund on the bonds, that we are able to match up with other cities in the way of improvements.

In the second place we support a university, of which the annual budget is about \$225,000, and we have developed there systems of education which are original and successful, and which are now being copied throughout the educational world. There has been a system of work in this university whereby young men can study theory and indulge in practice at the same time. With the co-operation of the city's manufacturers, particularly in the machine and tool trades, engineering students are enabled week by week and month by month throughout their course, to study not only theory in the university, but also practical shop work in the shops themselves. This has been a tremendous success, and if nothing more justified the university, I am sure the results in this one field would do so. Of course, they have performed many other functions which cities perform throughout the United States, which are more or less interesting.

Most of all in Cincinnati we possess a hospitable citizenship, which by reason of German ancestry in large part, is anxious that all its visitors enjoy themselves to the utmost; and in the name of that citizenship we welcome you here and wish to give you the best possible time we are capable of. We heartily wish when you return to your homes that you will carry a warm feeling in your hearts for Cincinnati. I thank you. (Great applause.)

President Salisbury—The second address of welcome will be given by Walter L. Draper, president of the Chamber of Commerce of Cincinnati.

Address of Welcome by Walter L. Draper, President of the Cincinnati Chamber of Commerce

Mr. President, Ladies and Gentlemen:

I feel that it is a distinctive honor for me to be here today to say just a few words of welcome to you on behalf of the Cincinnati Chamber



J. H. TREGOE
Secretary-Treasurer
New York, N. Y.

of Commerce. This chamber has twenty-one hundred members, business men, embracing in their numbers practically all the members of the Cincinnati Association of Credit Men. That organization and ours have worked closely together on a number of important matters, and each stands ready to support the other in any matters of importance that

come up. So that it is peculiarly fitting that as president of the Chamber of Commerce I be here today to say a word of welcome to the members of the National Association which our local association this week is having the honor of entertaining.

I might say that I do not feel as much out of place as you might think here today, because at one time I had the honor of being assistant secretary of the local credit men's organization. I look back upon that time with much pleasure, because in the first place it was an experience that I appreciated, and it also brought me in contact with some men of sterling qualities, Cincinnati's most upright men whose friendship I believe I made at that time, and whose friendship I hope I have been able to keep since, and a knowledge of whose able, honorable and successful work in Cincinnati has always been an incentive to me to do everything in order to follow in their footsteps in promoting the business interests of the city. (Applause.)

It has seemed to me that these men were typical of what a credit man ought to be. A credit man is a judge. We have in the other departments of business, mercantile and manufacturing, what you might say corresponds to the legislative and the administrative. We have the department of manufacture which is the legislative; we have the department which takes charge of selling and which we might call the administrative; and after all we have in every business represented in the credit man the judiciary. He has to pass upon questions; he has to decide; he has to know whether the goods are being manufactured and offered in a way that will claim the attention of the outside public; and he has to know whether the man who wants to buy those goods is entitled to credit.

Now, after all, the credit man, it seems to me, has to have better judgment, has to have a broader understanding, has to have in his mind more of a grasp of the outside situation, than the man who sits on the inside and manufactures exclusively, or the man who goes on the outside and sells exclusively. Therefore, I say that these men that I came into contact with, seem to me to embody all the real American ought to; and I appreciated and still further appreciate the opportunities afforded me at this time to come in contact with them.

There is another reason why I feel at home here today. I came here after the audience was entirely assembled and the pictures were being thrown on the screen; and I found it hard work to locate myself and find out where those were whom I had to report to. Some one of the attendants of the house who saw that I was ill at ease and out of place, turned to me and said: "You are a newspaper man, aren't you? Right around on the other side." That was true, because when I was assistant secretary of the Cincinnati association, I was also a newspaper man, and it sticks to you. Once a newspaper man, you are marked for life; and I followed the advice of the gentleman and I found out after all that the newspaper men were in the front seats taking it all in.

Now, you have seen thrown on the screen what Cincinnati has to show you. You have also seen what your own Association can show you in the way of prominent men; and I believe the examples you have seen only indicate that you ought to see more. There is a great deal in Cincinnati that we are proud of, and we hope that the weather will continue to be of such a character as to drive you outside to see for yourselves. I am sure that you will recognize that the entertainment committee (of which you have a sample in the chairman) will do everything possible for you. Mr. Johnston stated to me that he has the convention with him, because when I came in here I said

I had no opportunity of writing out a long address on credits and talking to an association of credit men in the way that they ought to be talked to; and he said: "Why, go out and tell them anything; they will stand for anything. They are with you." (Laughter.) Some of the other organizations in Cincinnati have sent communications to you, inviting you to partake of their hospitality; and I feel that I am a little more honored today than they, in that I am able to be here personally and say to you that the doors of the Chamber of Commerce are open to you while you are here. We have a daily session of our organization, and have on the floor not only members who come there to see each other, to look at the weather map and see whether it is going to be cooler or not, and find out what New York stocks and Chicago provisions are doing, but also to meet each other and transact business in numerous ways. If you come there you will find not only a good many of your own members who live in Cincinnati, but you will find other business men you ought to meet; and I extend to you the hospitality of the Chamber of Commerce while you are here, and say that that little double ribbon badge of yours will entitle you to admittance and all the privileges. I hope you will feel if you have come to Cincinnati for the first time, it will not be for the last time, and that you will want to come again. When people come to Cincinnati to be entertained or transact business, we want to make them anxious to come again, and we want you always to feel at least that Cincinnati's credit is O. K. I thank you. (Applause.)

President Salisbury—You will now listen to an address of welcome by the president of the local association, Samuel Mayer. (Great applause.)

Address of Welcome for the Cincinnati Association of Credit Men by Its President, Samuel Mayer

Mr. President, Ladies and Gentlemen:

This occasion brings to my mind the story of the Irishman who went to church one Sunday morning and the pastor had chosen for his topic the Judgment Day. The pastor endeavored to make plain to his hearers that on that day all the peoples of the earth would appear before the throne; that all alike, the rich, the poor, the high and low, would be judged by their deeds alone, and not by their earthly possessions. After the services our friend sought the pastor and said to him: "Father, I have listened intently to your sermon. There are some things, however, that I do not quite understand; you said on the last day everybody would be there." "Yes." "Will all the saints be there?" "Yes, all the saints will be there." "Will all the apostles be there?" "Yes, all the apostles will be there." "Will the A. P. A.'s be there?" "Yes, the A. P. A.'s will be there." "Will the Ancient Order of Hibernians be there?" "Yes." "Well, then, there will be damned little business done there the first day." (Great laughter.)

So what care we if little business is done on this first day, when we have such a rare opportunity as is presented us today, and especially so since after this session and on the days following we are obligated by our several associations to attend the school for credit men, conducted and ably managed by the National Association, sessions of which are

held daily at the Sinton Hotel. This school is becoming more and more popular owing to its thoroughness and efficiency and zeal of its teachers.

I am called upon to say a word of welcome in behalf of the Cincinnati association; but is that necessary? It was intended that the governor of the state should speak for the 5,000,000 people of Ohio; our talented mayor spoke for 4,000,000 within the corporate limits of Cincinnati; and last, but not least, the president of the Chamber of Commerce welcomed us in behalf of its twenty-one hundred members; and now comes the old cart horse of the Cincinnati association to speak this word.



SAMUEL MAYER
Isaac Faller's Sons & Co., Cincinnati, O.
Director

Our association numbers a little more than three hundred members, the most representative of all the branches of commercial activities within our city. We only want the best, and I promise you before another year rolls around our condition will be much the same as that in a story I recall. Years ago a concern of large prominence in our town had at its head a Mr. K., who was quite a shrewd merchant. One customer dropped in and inquired whether he had a particular line of goods.

"Yes." "What do you want for them?" "\$15.50." "Well, I will see you after awhile." Later in the day the country merchant returned and said: "Mr. K., I can buy those same goods from a small house for \$13.50." Mr. K. looked at him a moment and replied: "That is why they are a small house." (Laughter.) So it will be in Cincinnati a year from today. The concern outside of our fold will be the small house. For, I am sure, after the outsiders have seen the twelve hundred delegates of the National Association gathered here in convention, and have been impressed by them as they must be, that every business house of prominence will seek the opportunity of applying for membership. (Applause.)

The secretary of the National Association has limited my time to ten minutes. I told him I hoped it would not take you more than two minutes to feel that you were perfectly at home. We folks do not want company; we want you to feel that you belong here and are welcome at our tables, without notice beforehand, and that when you do come all that is necessary is another place at the table.

It is the custom, I believe, to extend the right hand of fellowship; but one sometimes extends both hands, which indicates a desire to draw the guests (especially the ladies) to one's manly bosom; but we of Cincinnati hold up our hands in token of complete surrender of everything with one exception. We have in Cincinnati the daintiest, prettiest, sweetest, loveliest girls in all the wide, wide, world. (Great applause.) Unfortunately there are not enough to go round, and most of them are naturally too young for the mature and staid delegates to this convention. I am sorry there is scarcely enough for the home demand, and consequently none for the export trade. (Laughter.)

I had forgotten to say that every member of this association but one maintained the so-called "gentleman's cellar," and as far as the odd person is concerned I can prove an alibi. The strain on your vocal chords during this season will be severe. If a stimulant is necessary you can be directed to a place where will be found a bottle of milk, some sure cure and a medicine dropper. (Laughter.)

I again welcome you to Cincinnati, most eastern city of the West, most western city of the East, most southern city of the North and most northern city of the South—the Queen City! (Great applause.)

President Salisbury—I am sure Mr. Mayer will pardon me because I wish to speak confidentially to the delegates and say that after listening to that story I want to remind you, as you perhaps well know, that half the lies they tell about us Irish are not true. (Great laughter and applause.)

I also wish to ask one favor of Mr. Mayer. We have three or four very eligible bachelors attending this convention. They have attended these conventions for six or eight years. It seems that other cities have failed to offer the proper attractions; and it would be a great favor to the president and all the national officers if some adequate provision could be made for these attractive young men. I will give you their names in confidence at the close of the session.

Mr. Mayer—We shall escort them up to the Old Ladies' Home. (Laughter.)

President Salisbury—We shall now listen to the first response to the addresses of welcome by R. P. Crockett, of Nashville, Tenn.—better known as "Pen" Crockett, our friend! (Great applause.)

**Response to Addresses of Welcome by R. P. Crockett,
Nashville, Tenn., and Arthur E. Johnson,
Detroit, Mich.**

Mr. Crockett's Address

I am going to take the hint offered by Mr. Mayer, suggesting that we make ourselves at home. Our being in Cincinnati reminds me of the play "The Prince of Pilzen," and if I remember correctly there was an old sore head in there that had the sore foot, and he said, "I want what I want when I want it." Now, I have been watching that glass of water for twenty minutes, and I want it awful bad. (Laughter.)

Here's to Cincinnati.

Seeing some of the delegates pass out reminds me, that when I first received notice from Mr. Tregoe and also received a program, I saw my name at the bottom of the list below all those celebrities, including the governor and the mayor, and I wondered what I should say, and the suggestion of an old preacher occurred to me. On one occasion when I was invited to deliver an address before a Sunday School convention, a thing I had never done before, and am sorry to say I have never done since (laughter), this old preacher when I asked him what I might say on that occasion, replied: "Well, an address of that sort should be like a sermon, and a sermon should contain three elements to make it effective: It should be moving, it should be soothing and it should be satisfying." I went forth with this cue and did the best I could. A few days afterwards I met the old man on the street, and he asked me, "Well, young fellow, did you get along?" I said to him, "It worked like a charm; it was moving all right, because half the audience left; it was soothing, too, because the other half went to sleep; and I was certainly satisfying, because not a soul asked me to come back." (Laughter.) I hope, Mr. Tregoe, that you will be satisfied.

When I received the official notice from our worthy secretary, that smiling pilgrim from the land of spaghetti, in which he emphasized the fact that I should dwell only ten minutes on my subject, I thought a mistake had been made and that I should have been put on the reception committee instead, inasmuch as Nashville and Cincinnati are such close neighbors, linked so firmly together by that famous railroad. If it were not for that patch of Kentucky blue grass you could see the skyscrapers and hear the hum of industrial wheels in Nashville.

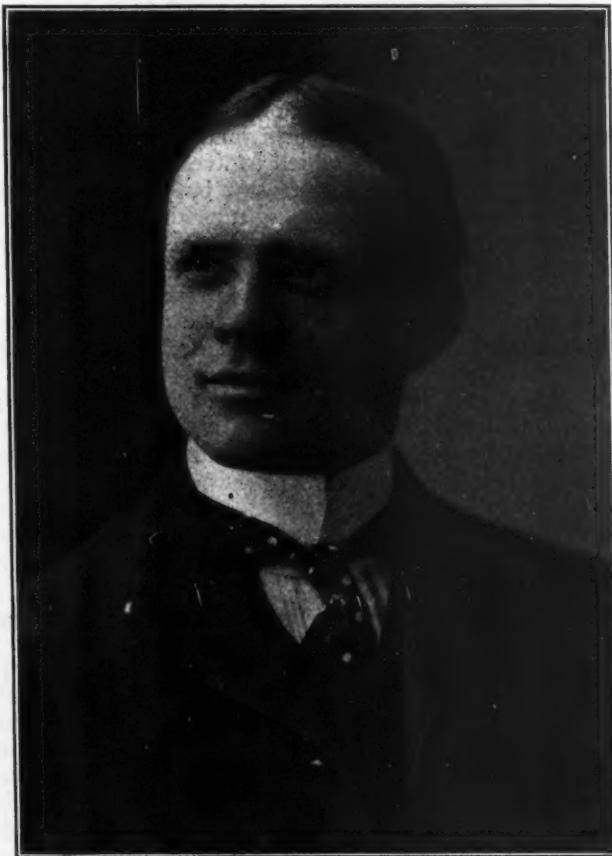
Let me say, too, that Cincinnati has been made greater by its close proximity to that grand old state of Kentucky, where thousands of dollars have been spent and human lives wrecked to make a brand of whiskey that would taste as good coming up as it did going down. (Laughter.)

Cincinnati has often said she wanted to visit us; but she has purposely postponed the naming of the day until we grew into a vast army, seventeen thousand strong, due to the efforts of President Salisbury and myself during the past year. (Laughter.) She wanted to show us the magnitude of her graciousness and her hospitality, the fame of which has spread throughout this land. These people are big-hearted and liberal, and I have been told confidentially by Mr. Enoch Rauh and Mr. McAdow that they spend more money accidentally in Cincinnati than they do purposely.

Cincinnati is the "Queen City" of the North and South, standing at the gateway of the two empires. She is the composite section of our country and can furnish you with anything to eat from catfish to biscuit, and anything to drink from Moline beer to Georgia whiskey.

I delivered two addresses of welcome last year. One of them was when that high and mighty dignitary, this Irishman from Sweden named Salisbury, came down to pay us a visit. The other occasion was when Mr. Tregoe honored the Nashville association with a visit and told us how to get blood out of a turnip—in other words to get money out of a man who was broke before he went into business. (Laughter.)

To illustrate the high appreciation which that address received, I may say that our guests returned to the meeting of the National directors in New York, and I am told that Mr. Salisbury said that that descendant



R. P. CROCKETT
Murray-Dibrell Shoe Co., Nashville, Tenn.
Director

of Davy Crockett in Tennessee made a speech which reminded him of ex-Speaker Joseph G. Cannon's definition of a woman's mother-hubbard, which he said covered everything and touched upon nothing. (Laughter.)

We feel greatly honored that your city should ask us to be its guests; and let me say, not that I love Cincinnati less, but this Association more, that Cincinnati should likewise feel honored to have as its guest such a powerful organization and such a combination of brain, good looks and good credit. The members of this Association are gentlemen made

up of that type whose conduct proceeds from good will and an acute sense of propriety, who are equal to all emergencies, who think not of the right of themselves, but others; and with them honor is sacred and virtue safe. Notwithstanding they are composed of that type of gentlemen, I feel it my duty, as the sponsor of this Association, to tell you that I will see to it each night that every member of this Association is in bed when the curfew rings, even if I have to make a personal sacrifice and stay up all night to see that it is done. (Laughter.)

As I told you in the beginning, His Honor, Mr. Tregoe, laid special emphasis in his request of me, on the necessity of delivering this response of welcome in ten minutes. It seemed as if he was more interested in the ten minutes than in my address; and that reminds me of the story of the man sentenced to be hanged. Of course everybody has heard it except Mr. Salisbury, and he, being an Irishman, is a little slow to catch on. (Applause.) This man on the day of the execution was brought into the presence of the sheriff, and the sheriff said: "My dear sir, you have but ten minutes in which to live upon this earth; have you anything to say?" He had nothing to say, but his attorney, a garrulous young fellow, who had so unsuccessfully defended this poor prisoner, spoke up and said: "Mr. Sheriff, I should like to use that ten minutes in making a speech." The sheriff turned to the prisoner and said: "Will you grant the gentleman the ten minutes in which to speak?" The prisoner said, "Yes, you can let him have the ten minutes in which to make his speech, but for God's sake let us have the hanging first!" (Laughter.)

Now, I thank you for your kindly consideration and your close attention to my maiden effort as an orator, and I hope no person will go away from here wishing that the hanging had taken place first. I thank you. (Great applause and laughter.)

President Salisbury—The next address is by Arthur E. Johnson, of Detroit, Mich.

Mr. Johnson's Address—Response to Addresses of Welcome

Mr. President, Our Hosts and Ladies and Gentlemen of the Convention:

Like my worthy brother, Mr. Crockett, I, too, was impressed by the note from our genial secretary, to the effect that the remarks in response to the addresses of welcome were to be confined to ten minutes, and I was reminded of the story of a certain preacher who inquired of a deacon of his as to how he liked a substitute who had been invited one Sunday to officiate, and the deacon replied, "Well, the first three and a half hours he was interesting, but after that it began to get uncomfortable," and I assure you I shall try in my remarks to obey the injunction of the secretary.

I count it no small honor to have been selected as one of two to respond to the addresses of welcome which have been made on this happy occasion by the distinguished representatives of this city and its Chamber of Commerce, and this Credit Men's Association; but I take no personal credit therefor, because I attribute the invitation rather to a temporary prominence on my part in the affairs of one of the affiliated associations, Detroit, whose president I am, and to Detroit the honor comes.

The first, and perhaps the deepest impression made upon us as we are assembled here today was, I think, that of the influence and

power of the National Association. We meet here in response to its call; we have come from all parts of this great and growing country. What brings us here? Faith in a common purpose, loyalty to a common idea, hope in a common cause, fidelity to a common aim. We expect here still further to advance the purposes and to realize in still greater measure the ideals that lie at the foundation of our associated effort. We shall make new and happy acquaintances and we shall renew old and delightful friendships. We shall receive inspiration, viewpoint, vision, clear information, knowledge and outlook, that will make us more efficient in the coming days, and make us stronger and better men. We shall most assuredly grasp the right hand of fellowship extended to us here, as Mr. Mayer said, by the Cincinnati association; and we shall go away charmed by your hospitality and impressed with the wealth and importance of your splendid city.

The National Association of Credit Men, bonded in a splendid purpose, has, I think, secured a permanent place among the forces of the age. Judged by dry numerals alone, the latest showing seventeen thousand two hundred members, it indicates that the interest in this Association and work is widespread and intense; and who shall measure its influence for good, its power for business efficiency, for the development of integrity, for the elevation of business standards and ideals, and for the inculcation of that business righteousness which exalteth a nation. If it be true of organizations as it is of men, that the labors of our yesterdays be our proudest monument, then I think that the members of this organization have reason to look back with satisfaction over notable results achieved, while they face with a cheerful optimism the responsibilities which the present and the future bring.

There is no danger that the interest in this organization will wane, so long as men are willing to follow high ideals, to give of their money, time and effort, to sacrifice themselves to others, in the altruistic spirit that makes such conventions as this possible.

It is a pleasure to meet and mingle here today with the men of this and adjacent affiliated associations who during the past few months have met and who are still meeting with such courage and sagacity the exceptional problems of credit and finance. The manner in which these men have met the responsibilities and discharged the duties that followed in the wake of the recent national disaster, has challenged the admiration of credit men the whole country over.

The Cincinnati association whose guests we are today, occupies a high place in the family roll, having a long and honorable history. In meeting as it has as is everywhere manifest, with thorough pains-taking, all the problems incident to our enjoyment, the Cincinnati association has laid the other members of the family under lasting obligation; and did we not know that the cordiality of these words of greeting and the warmth of hospitality and lavishness of entertainment proceed from the spirit of generosity that seeks no return, we should be deeply concerned over our inability to pay our debt of gratitude. I can only promise that we shall enjoy to the full the good things these men have provided, in the hope that some day they in turn may come to be the guests of our respective cities.

I think it is exceptionally appropriate, too, that we are meeting in the state of Ohio, because it was in this state some seventeen years ago that the National Association of Credit Men was organized, with its tre-

mendous power to produce legislation favoring sound, solid business principles and making the practice of fraud and deception unwise and risky, even from the lowest motive, selfishness.

It is a pleasure to bear testimony, not only to Cincinnati's high rank, but to that of Ohio, commercially, industrially, educationally, politically and religiously. It is truly a great state. The very name reminds us that it is the birthplace of great men, Grant, Sherman, Garfield and McKinley.

Cincinnati has been said to be Ohio's southern gateway. It is said that in the early days when the voyager from the Mississippi came to explore the river Ohio, which forms your southern boundary, they were charmed by the scenic grandeur of the region through which it flows. But little did these men imagine this noble river winding its way among the hills, was to become the scene of a mighty commerce; that along its banks mine, mill, factory and farm were to be developed; that populous cities were to arise; and that it was to become the theater of a great, prosperous and happy people. But it is absolutely true that

"Where grand Ohio rolls his silvery flood
Mid verdant fields and darkly waving wood,
Will cities rise to meet the wondering eyes,
And domes of grandeur swell unto the skies."

(Great applause.)

The location and growth of a city are not matters of mere accident. The pioneers that journeyed here selected this spot because it is a natural amphitheater among the hills; and they were moved largely by considerations of safety from the attack of hostile Indian bands. Yet, situated as Cincinnati is, almost midway between the source of the Ohio and its mouth, it rapidly became the emporium, workshop and exchange for the large surrounding district, the vast and populous valley of the Ohio.

The studious visitor cannot fail to be impressed as he sees the great variety and extent of your business interests, or as he reads about them in the literature which was presented to us on our arrival here. Inhabited by an intelligent and a thrifty people, your city grew in wealth, area and importance; and even before the lower stretches of the city had been filled mainly by the busy marts of industry and trade, your people surmounting the natural barriers built homes and institutions among the hills, amid beautiful environments that might well be the pride of any city. I think nowhere is to be seen so perfect a combination of the accessible and picturesque as here.

Therefore we who visit you today and are your guests, are glad to bear testimony that the visions of your early patriots are more than realized, and we agree with the historian who writes:

"Cincinnati, the prophet's word and poet's hope fulfills;
A stately queen she sits today among her royal hills."

(Great applause.)

But it is not in finance or commerce, neither is it in the physical conditions of a country that her real greatness dwells, but in the soul of men, where in true men we find magnanimity, hospitality and Christian living; and I declare without hesitation that these characteristics have been displayed here today in the cordiality of the greetings to which we have listened, in the hospitality that has been shown us, and in the kindly thoughtfulness and solicitude that is everywhere manifest for our comfort and enjoyment.

Then, too, the ladies who accompany us here have always been included and they are your happy guests; and it is my extreme pleasure

and rare privilege in their behalf as well as that of the National Association of Credit Men, its rank and file, who are represented here in convention from all parts of the United States, to thank you most heartily for your unbounded hospitality. (Great applause.)

President Salisbury—We have now reached the stage where even though President Mayer thinks that we should devote the first day to recreation and pleasure, we must give a little time to business and get rid of some of the burdens that we carry. The next order of business is the president's report, which I beg to assure you is very short.

Annual Report of the President, Fred R. Salisbury, Minneapolis, Minn.

Fellow Members of the National Association of Credit Men:

The inexorable hand of Time has brought us together in this fair city again to consider those matters related to the duties laid upon us by our intimate and close relationship to the commercial interests of the country.

Our success in the past has been distinctly gratifying. We have undoubtedly now reached a point where we hold the attention and confidence of business institutions and business men throughout the United States and Canada. It is for us, assembled in convention, to maintain and support those principles laid down by our predecessors, which have been the foundation of our success.

This review of the year's administration does not directly deal with the work of our various standing and special committees, of which there are now twenty. Their reports will speak for themselves, but I am led personally to thank the men upon these committees and to them is properly due the commendation of every member of the Association. They have all responded splendidly to the call made upon them and while some have had a more important part in the work than others, yet all have contributed earnestly that there might be presented to you the good results attained.

It has been for our Association a year of progress and encouragement in many directions. At no time since its organization has the membership of your Association been so nearly representative of the function of credit granting as it is at present. The recommendations of former Membership Committees have been largely heeded by local associations and restrictions generally imposed, so for the most part those being admitted into membership are from the ranks of business men who actually extend and check credits. In the absence of this laudable restriction the membership increase for the year might have been much larger, but a total of over seventeen thousand, making yours the largest commercial organization in the nation, is the support of our position, and we cannot afford to "let down the bars."

A membership in the National Association of Credit Men means more than it did years ago and selfish motives might actuate many to avail themselves of membership in the Association were the privilege allowed.

A careful study leads me to believe that the work of our Adjustment Bureaus has been a benefit wherever they are properly operated. During the year six were organized, making a total approximately of forty-two. While the administration of these bureaus has not in all instances approached the very highest standard of Association work,

yet there has appeared a marked increase in their efficiency, which, in my opinion, can be still further advanced should a careful survey of the different bureaus be entrusted to some one employed by the National Association, and who, under the direction and with the co-operation of the National office, could compile information and data, organize and advise with local bureaus, and co-ordinate them in operation and efficiency. Such a recommendation was substantially made by my predecessor, Mr. New, but your board did not see its way clear to put the recommendation into practice.

The work of our Credit Exchange Bureaus has shown progress during the year, both in local efficiency and the development of a national interchange.

It might be possible to consolidate within one person the extension and supervision work of both the Adjustment and Credit Exchange Bureaus. Such an arrangement would relieve Secretary Tregoe of much of the work now devolving upon him in connection with the operation of these bureaus and allow the application of his time to other matters of equal importance.

We may properly be congratulated upon this year's legislative accomplishments, which will be detailed in the report of your Legislative Committee. Our standard acts were passed in seventeen states; the Bulk Sales Act passed in five states, leaving but one state now without such a law—Kansas. I am happy to say that our members and officials in Kansas are not discouraged over their failure to pass such an act this year, and will arrange to carry forward a successful campaign in the next legislative session of their state.

The progress of the advertising feature in our monthly BULLETIN has been watched with deep interest and those in close touch with it are disappointed that the sale of advertising space has yet failed to reach the limit allowed, namely, sixteen pages, and the prosecution fund has therefore but inconsiderably grown. It was also noted with disappointment that the space sold in each issue of the BULLETIN was largely the result of direct solicitation upon the part of the National office, and we cannot feel that it comports with the dignity of the National office and our Association that such solicitation, in order to sell advertising space in the BULLETIN, laudable though the object is, should be continued. It is hoped that the Investigation and Prosecution Committee in the year to come will promote some plan such that neither the National office nor any of the officials connected with it may be called upon personally to solicit the sale of advertising space.

One very important department was developed during the year—that of educating retail merchants upon certain practices in business which tend to affect their credit standing and safety. Our "Credit Topics Leaflets," of which three were prepared and published under the direction of our Business Literature Committee, have performed a splendid work, have influenced, beyond dispute, retail merchants, and I sincerely suggest that the work be carried on until there has been aroused against evil and unfair business practices a strong commercial conscience.

Our leadership in banking and currency reform has made a deep impression upon business men and national legislators. The work was promoted under the direction of your Banking and Currency Committee upon intelligent and very practical lines. Business men throughout the country understand the defects of our existing system and the needs of a new and adequate system more fully today than they have any time perhaps in our commercial history.

I was permitted during the year to visit twenty-nine of the local associations and these visits impressed me with the strong development of our organization and the comprehensive grasp with which our members realize the work to be done and the advantages to be gained through identification with the National Association of Credit Men. Our adherence to sound principles in relation to credit and credit giving, our education of business men upon the needs and channels through which sound commerce can be developed, has made its impression, and we pass down to the succeeding administration a worthy heritage and one that we commend to its earnest and sincere care.

Ten new local associations have been organized during the year giving us an increased influence in important directions and there has been a tendency in small cities where local organizations could not be organized with the proper numerical strength among the credit men, to get together in "Credit Clubs." We advocate the extension of these clubs, which increase the fellowship in smaller trade and manufacturing centers and bind the credit grantors for the promotion of sound principles and the defense of local credits.

The administration of our affairs through the National office has been conducted in a manner which calls for the highest commendation and we must again congratulate ourselves upon the fortunate combination of circumstances which made possible the selection of Mr. Tregoe as our secretary-treasurer. The personal interest and persistent effort of all connected with the National office has contributed to the splendid results obtained. The literature of the Association, under the individual care of our assistant secretary, is deserving of our commendation and we feel that the congratulations and thanks of the Association are due him for his efficient work.

The field organization has demonstrated its value, both in the results obtained in securing individual members and in assistance rendered in the organization of local associations. This department should continue to have our personal and financial support.

Our faces are set in the right direction, the surface has not been more than scratched, and each year, if we adhere to the principles of our organization, will develop important work and duties to perform, and it should be our care that the organization shall not depart from our sound traditions or wander into fields without precedent. I urge seriously that our efforts be consistently concentrated upon the objects so clearly set forth in our constitution.

To the members of the Association, officers, directors, members in committee, individual and associate, I wish to express, though it be faintly, a sense of the obligation I am under for the courtesies and consideration extended to me. The memory of them will always be a pleasant thought.

And now, gentlemen, may we turn our attention to the objects for which we assembled, and in the consideration of which the time at our disposal is none too long. Many interesting addresses are to be presented, our committee reports deserve and should command your most earnest attention, and the resolutions offered by each committee your careful consideration. I am therefore endeavoring to secure the best interest of all in asking you to be prompt and punctual in your attendance upon the sessions of the convention; and now I must close, for there is still a clear memory that your president was once designated as a "Czar," and he may be tempted to exercise the prerogative of such an

exalted position if the business of the convention should appear to be neglected. (Great applause.)

President Salisbury—We shall next hear the address of the secretary-treasurer, J. H. Tregoe.

Annual Address of the Secretary-Treasurer, J. H. Tregoe, New York, N. Y.

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

We have approached this convention with gratitude and gratification, for the year's work marks progress and a display upon the part of the membership of sincere interest and co-operation.

Each year of the Association's history has had its distinctive problems and in that just closed there was recognized an expanding desire for the elevation of business standards, and we arose to this demand and privilege with zeal and diligence.

It is no invasion of veracity to assert that our constant appeal to the men of commerce has awakened a clearer perception of the compensation resulting from honest and orderly practices in business than has been felt in this generation's industrial history.

This needed and well-promising work has merely begun and it confirms our useful place in the business world to foster its promotion by calling upon men to recognize the great fact that principle in the relationship of man to man in business affairs is far superior and far more profitable than policy. Many of the evil practices in the relationship between buyer and seller which have become burdensome were directly bred by unwarranted and unnecessary indulgences.

No merchant need fear to do that which is right. This attitude may not pay immediate dividends, but will eventually, and dividends more continuous and generous than any immediate returns from the indulgence or allowance of an unfair or bad business practice.

Endless formulas might be proposed, but that which will be found most effective and go more directly to the heart of this question and elevate the business standards of the Nation is the resolution of every business man to be straight in his own practices and to insist upon straightness in those with whom his commercial dealings are carried on.

We have closed a distinctive year in legislation. The report of your Legislative Committee reveals its details. We only wish, as supplementary to its report, to indicate the apparent expansion of our influence and power in commercial legislation, a condition fostered beyond doubt by the saneness of our methods, the necessities of our proposed laws and the splendid co-operation of our local associations and individual members.

One serious situation was discovered, that of pronounced antagonism upon the part of some legislators to commercial legislation of any character. It argued upon their part prejudice and ignorance; prejudice as to business, and ignorance as to our industrial history. It is unwise to pass so serious a situation without comment or close study. It suggests the need of a more thorough and practical education of our youth in commercial practices and the nation's industrial history. The number of misfits discerned not only in legislatures, but in business, is directly and primarily due to the very meagre

training of our youth in commerce and business. We must meet the situation in two directions; first, by insisting upon educational departments in the states and municipalities that there be given our youth in elementary and secondary grades some properly defined course upon commerce as related to banking and business; and second, by training, specifically, the younger men to occupy positions in credit departments, for it is upon this department of a business enterprise that the national tendencies, prejudice and ignorance, more largely press.

Therefore, we urge upon our local associations the promotion not only of credit courses in Y. M. C. A.'s as they have been carried on so splendidly for two years, but the organization of distinct classes under their own supervision with specific courses in those subjects that appertain to the credit department, and which but qualify a student to do efficient work. There is no precedent for this specific educational department, so the trail must be "blazed" by our Committee on Credit Education and Management, which committee I earnestly suggest, because of the importance of its work, shall be made one of the Association's standing committees.

We accepted, without flinching, the responsibility of educating business men upon the defects in our existing banking and currency system and the need of expeditiously and adequately reforming it. Your Committee on Banking and Currency has rendered yoeman's service in this direction and it is believed that the business men of this nation are more thoroughly aroused upon a situation which so directly affects the soundness and safety of commerce and credits than has been discovered at any period since the enactment of our existing banking and currency laws.

We have exercised a silent but forceful effort upon the administration and leaders in Congress to the need of enacting an adequate banking and currency law in the extraordinary session of Congress and are encouraged to believe that the administration and the national legislators are beginning to recognize what waste the nation has suffered through its serious crises since 1862, waste which in all likelihood would not have occurred had there been in our system those principles which relieve tension in the times of stress and save business men from loss in situations for which they were not directly responsible. We cannot discover in any of the serious crises of the last half century that they were due directly to bad business, but to bad banking.

In all departments of the work we feel it is only just and proper to say that every encouragement is apparent and that each committee has put forth its best efforts to make the year that which I am sure you will unanimously feel it has been, one of progressive and influential development.

The membership has had a normal growth, ten local associations organized in strategic points all of them such as should, with proper care, prosper. The Membership Committee deserves our sincere congratulations, and would time permit in a report of reasonable length, we would find pleasure in speaking definitely of all our committees, but it has been our effort and desire, through correspondence, to let the chairman and the members of his committee know how deeply we appreciated their efforts. The results will be presented in their reports.

The educational leaflets, of which three were issued, bearing

upon aspects of sales terms, the proper calculation of profit, and the value of systematic correspondence, were immediately popular and are performing good work in bringing to the consciousness of retail merchants the need of observing good order and decency in respect to business relationships and commercial practices. It is our purpose to continue this department and touch upon all situations which should be remedied or improved.

It is our conviction that the Association has not yet sufficiently arisen to the need of prosecuting commercial fraud. To do this properly, a large sum, larger than ever perhaps contemplated by the Association, must be available, and that which we are deriving now from the sale of advertising space in the BULLETIN is far from adequate and such as will only enable you to co-operate with local associations or undertake minor cases.

When the amount of assets involved in the failures of each year are considered and what a small per capita allowance would be needed from our large membership each year for the creation of an adequate fund, it is not in our opinion any idle dream to believe that in a little while we are going to take the position of clarifying the business atmosphere and dealing out to those inclined to defraud creditors that treatment which their practices deserve.

We prognosticate that if this were done in a proper and adequate way the amount of annual loss through fraudulent insolvency and bankruptcy cases would materially diminish, and we would be largely dealing with those who were honest, but unfitted, who were diligent, and merely unfortunate.

The need is becoming apparent of devoting more study to Association meetings and that these meetings be more definitely confined to the consideration of credit and business topics. A large number of the local associations are feeling this necessity very strongly, and the National office is appealed to frequently for advice and guidance upon the character of meetings and just what will give the best results and attract the largest number of attendants. We shall recommend in this particular that a special Committee on Association Meetings be authorized at this convention and that for the present it be substituted for the special Committee on Federal Incorporation Law, as at present the federal incorporation project is not agitating the public mind to any great extent and the study of it can be deferred until there is a possibility of its serious consideration upon the part of Congress. We suggest the substitution so that the number of our special committees may not be enlarged.

You must be congratulated upon reaching numerical proportions that make the National Association of Credit Men the largest commercial body in this nation, and perhaps in the world. Its rapid development must be directly attributed to the wisdom of its official bodies in the years past and the close adherence to its constitutional program. With the numerical growth has also developed its influence, and we must urge the need, in view of the dangers that always attend the administration of so large and powerful a body, of selecting for its Board of Directors well qualified men who are deeply sympathetic with its specialized work and can dedicate to its promotion some of their thought and time. It is our belief that this need will be recognized by those who have so faithfully served the Association in its initial years and by those who are beginning to recognize its power in helping to shape the nation's industrial history and to give to it a character and height of standard which could not be accomplished through individual effort.

We also urge upon local associations an approximate degree of care in selecting their supervising committees, for up to the present we are not a co-ordinated body and some of the associations fail of prompt and hearty response in affairs of national importance which are suggested from the National office. When this co-ordination is reached and there is a unanimous response and co-operation from all the local bodies in promoting the national plans, we cannot prognosticate now with certainty what the results will be, but it seems that nothing unfair could withstand the united force, nor any desirable project its possible accomplishment.



WM. WALKER ORR
Assistant Secretary
New York, N. Y.

Your secretary-treasurer is deeply indebted to President Salisbury for his unfailing sympathy and courtesies of the year. It has been a real pleasure to work with Mr. Salisbury; and he is also indebted to the vice-presidents for their advice and guidance; the members of the board have been responsive and some of them given much of their time and thought to the carrying forward of the work in their immediate neighborhoods along diligent and intelligent lines. The local associations have also, gen-

erally speaking, been helpful in their attitude; and to everyone who has assisted in making the history of this year and giving to the National office that encouragement which led it to reach out for the attainment of the highest and best things, we want to extend our sincere and hearty thanks.

We must sincerely commend the co-operation and good service of our assistant secretary in his special department of business literature, reflected in the BULLETIN and other literature issuing from the National office. The secretary's assistant is also to be thanked largely, for upon his own initiative, he has improved the office technique and conducted a direct and successful solicitation of individual members in remote places that are not generally covered by our field representatives. The entire office spirit has been good and enabled the designing and execution of large plans.

The finances of the year have also been satisfactory, and we here-with present the treasurer's report from June 1, 1912 to June 1, 1913. (Report attached.)

In conclusion, we feel there is every incentive to enter upon the new year with a sense of large things to do and a willingness to lend our best in accomplishing them. Our place has been found in the nation's commerce, our need made distinctly apparent, and our contribution annually to the elevation of business standards and the development of protection to commerce and credits indisputably conceded.

RECEIPTS AND EXPENDITURES OF THE NATIONAL ASSOCIATION OF CREDIT MEN FOR THE YEAR ENDED MAY 31, 1913.

Receipts.

| | |
|--|-------------|
| From local associations, per capita dues..... | \$43,972.77 |
| Individual membership, annual dues..... | \$14,617.93 |
| Deduct salaries and traveling expenses of field representatives | 8,465.68 |
| Net income from individual membership dues | 6,152.25 |
| Blanks—Gross income from sale | \$3,736.99 |
| Deduct cost of printing | 3,030.32 |
| Net income from sale of blanks..... | 706.67 |
| Diary—Gross income from sale..... | \$4,704.86 |
| Deduct cost of publishing | 3,417.10 |
| Net income from sale of diary..... | 1,287.76 |
| Sundry receipts | 253.80 |
| Total net receipts | \$52,373.25 |

Expenditures.

ADMINISTRATION EXPENSES.

| | |
|---|-------------|
| Salaries—Secretary-Treasurer, Assistant Secretary and As- sistant to Secretary | \$11,891.68 |
| Salaries—Office employees | 6,081.75 |
| Rental of office | 1,800.00 |
| Stationery and printing | 1,815.51 |
| Postage | 2,097.05 |
| General items of service and supply..... | 4,378.25 |
| Total administration expense | \$28,064.24 |

LITERATURE.

| | |
|------------------------------|------------|
| Cost of printing | \$1,926.55 |
| Deduct income from sale..... | 1,095.31 |
| Net cost of literature | 831.24 |

BULLETIN.

| | |
|---|-------------|
| Cost of publishing and mailing..... | \$8,636.13 |
| Less receipts from sale and subscriptions..... | 475.58 |
| Net cost of BULLETIN | 8,160.55 |
| Traveling expenses, officers, directors, members of committees, and the expenses of directors' and committee meetings | 4,842.63 |
| Legal bureaus and attorneys' services..... | 2,605.00 |
| Aiding prosecutions and investigations..... | 443.30 |
| Convention expense | 2,229.64 |
| Total net expenses | \$47,176.60 |
| Surplus for the year | \$5,196.65 |
| 1912, June 1—Balance as per report | 9,854.75 |
| 1913, June 2—Balance in bank | 15,051.40 |
| June 2—Balance office account | 528.07 |
| Total balance | \$15,579.47 |

D. G. Endy, Philadelphia—May I ask this convention just for a moment to forget that we are assembled here to conduct a business proceeding? May I ask that we step aside from tradition and formalities and extend our sincere thanks to the secretary-treasurer who has just read this very excellent report. I feel that he is entitled to understand that the entire Association stands behind him in his efforts to maintain the high standards and ideals of this organization. I hope, therefore, that there will be a unanimous expression indicating to him that we all stand squarely behind him in his efforts to uphold the high standards of this Association.

Motion seconded and unanimously carried by a rising vote amidst great applause.

Arthur Parsons, Salt Lake—I move that there be appointed an auditing committee of three to audit the treasurer's report.

Motion seconded and unanimously carried.

President's report received and ordered placed on file.

Secretary-treasurer's report received and ordered placed on file.

Recess until 2:30 o'clock P. M. at the Hotel Sinton.

FIRST DAY
Tuesday, June 17, 1913
AFTERNOON SESSION

The afternoon session of the first day was called to order at the Hotel Sinton.

President Salisbury—The convention will come to order. The first order of business is the report of the special committee on constitutional amendment. The chairman of the committee, F. H. McAdow of Chicago, will present the report of the committee.

Mr. McAdow—The committee's report is as follows:

To the National Association of Credit Men in convention assembled:

This committee was appointed by the board of directors at the annual meeting in September to consider amendments to the constitution and report to this convention. Two items had been referred to the board by the Boston convention: First, the amendments proposed to that convention by the St. Louis Association of Credit Men, having reference to a change in the method of electing directors;

Second, a suggestion that the order of business be so changed as to permit the consideration of the report of the Committee on Resolutions before the election of officers and directors.

As to the St. Louis amendments your committee reports that the St. Louis association expressly desires to withdraw its proposed amendments from further consideration at this time, and inasmuch as your committee does not see any parliamentary objection to such withdrawal, the amendments proposed are not included in this report, except as to this explanation.

Concerning the second suggestion, your committee believes that the order of business as now printed in the constitution clearly permits the consideration of reports from all committees prior to the election of officers and directors, and therefore does not report any plan for action under this heading, no change being required.

There has come to the notice of this committee a question as to the powers of the committee on nominations, which is charged by the constitution with the duty of receiving and presenting nominations for the officers and directors at each convention. This question was raised at the Minneapolis convention and there seems to be a feeling that this committee should be clothed with some discretion which it does not seem to possess under the present wording of the constitution.

Unless the committee is given some latitude in the handling of nominations its duties are so perfunctory as to become embarrassing. It has been said that the committee might as well be dispensed with as a useless formality and nominations be handed to the secretary direct. To meet this seemingly well-founded criticism your committee has proposed an amendment to Article 8 as follows:

Substitute the following for Paragraph 4 of Section 8 of the constitution.

At the first session of the convention a nominating committee of fifteen shall be appointed by the president, such committee to receive, consider and present to the convention as nominees the names of candidates eligible to election as members of the board of directors. A ballot shall be taken and the candidates receiving

the highest number of votes shall be declared elected to fill the existing vacancies. No affiliated association shall be entitled to more than one representative on the board of directors, nor to more than one member of the nominating committee.

This amendment will give the committee at least sufficient discretion and authority to justify its existence and dignify its proceedings. In view of the increased latitude or authority to be vested in the committee should this amendment carry, it seemed proper to increase the number of the committee from ten to fifteen members, thus making it a more representative body.

Your committee moves the adoption of the proposed resolution.

G. C. MORTON,
H. G. MOORE,
F. H. McADOW, *Chairman.*

Seconded by Henry W. Hardy, Chicago.

President Salisbury—Article 8 of the constitution at present reads as follows:

"At the first session of the convention a nominating committee of ten shall be appointed by the president who shall receive and present to the convention the names of candidates for the board of directors. A ballot shall be taken and the candidates receiving the highest number of votes shall be declared elected to fill the existing vacancies. No affiliated association shall be entitled to more than one representative on the board."

As amended, the fourth paragraph of Article 8 will read as follows:

"On the first day of the convention a nominating committee of fifteen shall be appointed by the president, such committee to receive, consider and present to the convention as nominees the names of candidates, eligible to election as members of the board of directors. A ballot shall be taken and the candidates receiving the highest number of votes shall be declared elected to fill the existing vacancies. No affiliated association shall be entitled to more than one representative on the board of directors nor to more than one member of the nominating committee."

The question is upon the adoption of the paragraph just read in place of the fourth paragraph of Article 8.

M. J. Kohn, Baltimore—I would like to know for the information of the Baltimore delegation what is meant by this committee considering nominations. I would like to know from the chairman of the committee what the functions of the committee would be in the way of considering nominations?

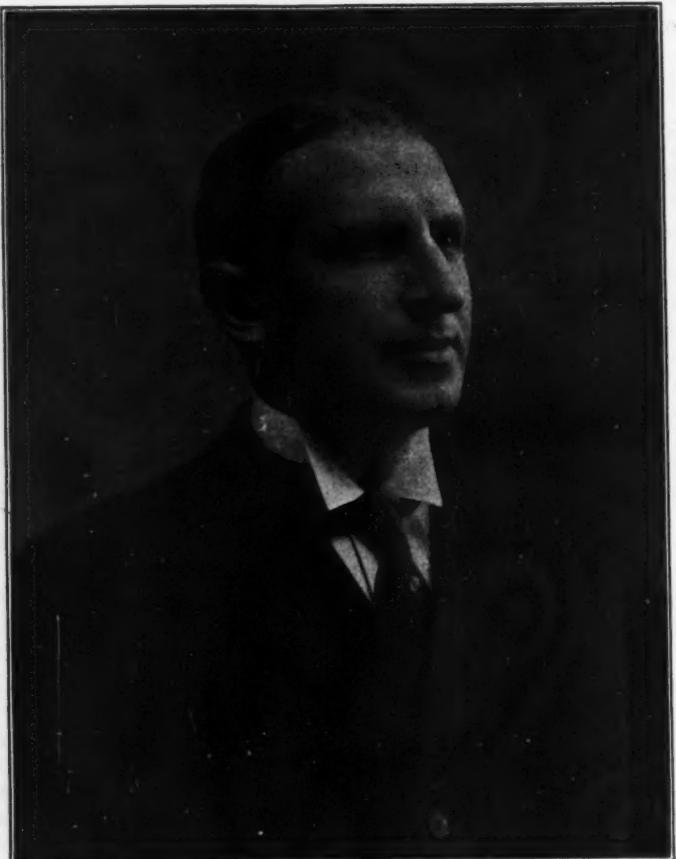
Mr. McAdow—The objection to the old arrangement was that the committee seemed nothing more than a committee of pages who would receive names and pass them up to the desk; at the Minneapolis meeting the question was raised with the board whether in case a name presented did not seem to the committee to be eligible under the constitution, it had any authority to withhold it from presentation. The board of directors held that there was no such authority vested in the committee; and the object of this amendment is that if a name be presented to the nomination committee which is not eligible according to their ideas as credit men under the wording of our constitution, they shall not be helpless but have the right to say to the party presenting the name that it would not be in order to present it. That is just the amount of discretion that is meant to be given to the committee under this amendment.

J. E. Porter, Pittsburgh—I am opposed to that amendment as it reads. If it is put in force the committee on nominations can absolutely control elections. It will have it in its power to erase the name of every man who has been nominated, except just such as will fill the vacancies; and I will offer as an amendment to strike out the word "consider."

B. F. Ezekiel, Birmingham—I second the amendment.

President Salisbury—Mr. Ezekiel seconds the amendment to strike out from the substituted paragraph the word "consider."

Frank Seed, San Francisco—I second the amendment and heartily



FRANK S. FLAGG

Morse and Rogers, New York, N. Y.
Director

coincide with the delegate who has just spoken. The amendment to the constitution as offered by Mr. McAdow's committee would leave the matter entirely in the hands of the president, because he will have power to appoint the committee, the committee would handle all the applications and it would make the matter altogether too personal. I second the amendment.

F. C. Wasserman, Portland—if this amendment is adopted, will it not leave the constitution in about the same condition as it was before,

except that the committee is increased to fifteen instead of standing at ten members? Does it not actually take the power away from the committee?

Mr. McAdow—The taking out of the word "consider" would leave us just where we were before. We would not in any way have applied a remedy for the complaint raised concerning the power and duties of the committee.

Mr. Ezekiel—I think it devolves upon me as the seconder of the motion to explain. I just entered the hall prior to the motion being made, and it seems to me the insertion of the word "consider" delegates to this committee the powers that belong to the convention itself. It practically says the Nominating Committee shall restrict the presentation of names to the convention to those that it desires to have voted upon for office. Now, I think all of us ought to have the privilege of voting upon these names; we do not want to delegate our privilege to a committee which shall have full power to strike from that list the names of those who do not suit them. They may, upon a final vote, suit the members of the convention, and therefore I do not think that we want to delegate to the committee the powers that belong to us.

Mr. Porter, Pittsburgh—My reason for making the amendment was simply to give the delegates and the convention a chance to have some voice in the management of its affairs. If you pass the amendment as presented you give the entire power over directorships to the committee. You may as well take away from us the right to vote, because we can only vote for those who have been nominated, who pass the scrutiny of this committee, and it is delegating to them a power which I do not think we have any right to delegate to anyone.

T. J. Bartlette, New Orleans—I believe the object of appointing a committee is to enable certain information to be brought before the convention, so that the convention can act intelligently upon it. It may well happen that names will be submitted to the Nominating Committee which, for one reason or another, are ineligible to election; and unless the point is raised on the floor, which would be very embarrassing to the delegation which presented the name, simply from pride in the man or his delegation, the nominee might be elected. There may be no personal objection to him, but for some other reason he may not be eligible if there is to be a strict adherence to the constitution of the organization. It is for this reason that the amendment has been offered, so that the Nominating Committee may investigate and then present to this organization the names of those who are eligible in every respect for election as directors of this organization.

We are not taking away any of the powers of this convention. If this convention sought by unanimous consent to elect somebody who was not on that list, no power on earth could prevent its doing so. The only idea, as I stated before, was that this convention should have a clear report before it just as it would on any other subject for which a committee is appointed, and for that reason I am heartily in favor of the amendment as proposed by Mr. McAdow.

F. R. Hamburger, Detroit—I am opposed to the adoption of the amendment. I am in favor of the amendment proposed by Mr. McAdow's committee. I believe a body of this kind, large as it is, must at times delegate some of its powers to a committee. The amendment provides that the nominating committee shall consist of fifteen, and that no local association can have more than one member on that committee. I think that the honor and integrity of the men who come to this con-

vention is so high that we are perfectly safe in entrusting to fifteen men, coming from fifteen local organizations from different parts of the country, the power to present to this convention the names of the officers of this Association (Applause); and I am perfectly satisfied to accept the names as presented by this committee from which to make my choice, with the privilege of voting on them as I see fit. I trust that the amendment as presented by the chairman will prevail. (Applause.)

President Salisbury—The question is on the amendment offered by



C. R. BURNETT
American Oil & Supply Co., Newark, N. J.
Director

Mr. Porter, of Pittsburgh, to strike out the word "consider" from the report of the committee.

Motion put and lost.

H. C. Burke, Jr., Fort Worth—The object of this amendment is only to consider the constitutional eligibility of the names submitted to the nominating committee. It might be well to amend to read this way: "to consider the constitutional eligibility of the nominees." And that would limit the power of the nominating committee, so that their discretion would lie only on the basis of constitutional eligibility; and if that is

the only object in inserting this word "consider," I would like to put that in the form of an amendment.

President Salisbury—This has not been offered as an amendment; it seems to be a question directed to the committee as to what its objects were in inserting the word "consider."

E. S. Papy, Atlanta—I second Mr. Burke's motion.

President Salisbury—The gentleman made no motion.

Mr. McAdow—Under our rules the chairman, I believe, closes the debate; so I might say this much further: that the committee has in mind what Mr. Burke of Fort Worth has suggested. This question of eligibility hinges on constitutional requirements entirely, as the committee looked at it. It is so stated in effect. So that any change such as is suggested by Mr. Burke would not change the real intent of this amendment.

Amendment put and carried with only one vote in the negative.

President Salisbury—The amendment is carried.

Mr. McAdow—The committee offers as an additional amendment:

That the present special Committees on Credit Education and Management and on Commercial Arbitration be declared standing committees of the Association instead of special committees as at present.

I move the adoption of that further amendment.

Seconded.

President Salisbury—The committee recommends that the Committee on Commercial Arbitration and the Committee on Credit Education and Management be made standing committees.

C. E. Vandel, Kansas City—I second the motion.

Unanimously carried.

President Salisbury—The amendment to the constitution, Article 10, is carried.

Mr. McAdow—Your committee has no further report.

President Salisbury—The committee will be discharged with thanks.

The secretary then read the names of the following committees, which had been appointed by the president.

Committee on Auditing: Oscar Loeffler, Milwaukee, Chairman; Arthur Parsons, Salt Lake City; Secretary-Treasurer Tregoe.

Committee on Nominations: Harry New, Cleveland, Chairman; E. L. Adams, Atlanta; I. R. Lempert, Rochester; J. E. Porter, Pittsburgh; W. A. Hopple, Cincinnati; W. B. Cross, Duluth; D. M. Douglas, Des Moines; I. C. Brown, Newark, N. J.; C. D. Maclare, St. Paul; F. C. Wasserman, Portland; C. H. Walker, Grand Rapids; A. W. Pickford, Philadelphia; E. S. Boteler, New York; H. H. Humphrey, Boston; G. K. Smith, New Orleans.

Committee on Resolutions: F. H. McAdow, Chicago, Chairman; W. B. Munroe, St. Louis; S. G. Rosson, Baltimore; C. T. Hughes, San Francisco; J. H. King, Hartford; S. T. Hills, Seattle; J. N. Moylan, Dallas; W. E. Stansbury, Memphis; H. L. Hunt, Wilmington, N. C.; J. H. Edwards, Youngstown; Clarence Braden, Louisville; C. S. Dickey, St. Joseph; W. E. Pitts, Montgomery; J. D. Holmes, Jacksonville; C. E. Vandel, Kansas City; E. M. Andreeson, Omaha; Chas. Knorr, Wichita; Stanley Floyd, Wheeling; Leroy Swinburn, Charleston, W. Va.; David Griesel, Lincoln; J. B. Dwyer, Buffalo; H. A. Jeffries, Indianapolis; A. J. Pettway, Knoxville; Geo. W. Oatley, Utica; C. L. Whichard, Norfolk.

Secretary Tregoe—I have some communications I would like to read.

I.

F. R. Salisbury, "Pittsburgh, Pa., June 16, 1913.
President, National Association Credit Men, Cincinnati, O.

Have experienced a keen disappointment in not being with you all at Cincinnati today, first, because I wished to attend the opening of the convention, and secondly, because I had been invited to become the guest of the council of the city of Cincinnati tonight. Very important city affairs here cause my absence. Will see you tomorrow, Wednesday morning. Remember me to all the boys.

ENOCH RAUH,
Second Vice President."

II.

National Association of Credit Men,
Mr. Charles E. Meek, Vice-President, Cincinnati, Ohio.

Greetings to the credit men our valiant comrades in arms in our attack upon the scourge of fire. Best wishes from the National Fire Protection Association for a large and enthusiastic meeting.

FRANKLIN H. WENTWORTH,
Secretary."

III.

J. H. Tregoe, "San Francisco, Cal., June 16, 1913.
Secretary National Association of Credit Men.

Duties of state prevent my attendance. First convention I have missed in six years. Though absent, my thoughts will be with you during the entire session. The country looks to us to accomplish many reforms in the business world. Let us all do our duty during the coming year.

CURTIS R. BURNETT."

IV.

J. H. Tregoe, "Columbus, O., June 16, 1913.
National Association of Credit Men.

Very much regret to say conditions have presented themselves making it impossible for me to reach Cincinnati. B. G. Watson will present himself to you on arrival. Extend my good wishes to the convention assembled. I know you will enjoy a feast of knowledge. Personal regards.

HARRY E. SMITH."

V.

F. R. Salisbury, "New York, June 17, 1913.
President, National Association Credit Men.

Deeply regret absence from convention over which you preside. Please accept my best wishes for a successful convention and extend kind regards to my former associates.

HOWARD MARSHALL."

Secretary Tregoe—It is especially refreshing to receive a telegram from San Francisco informing us that the governor of California has signed the false statement act. We feared that owing to the press of matters the governor might not find time to sign the measure.

President Salisbury—The next order of business is the reading of the rules of the convention.

Secretary Tregoe—I think it has been customary not to take the time of the convention in reading the rules; I think we are very well acquainted with the procedure and will keep within the rules; or if we

do not we have a president who will compel us to. I would like to have the names of the state chairmen this afternoon or tomorrow as early as convenient.

President Salisbury—The Hon. Judson A. Harmon was to address us on the subject of the "Business Man and Commercial Law." He is unable to attend; but we have been very fortunate through the efforts of Mr. Muench in having with us a man who can talk to us on a subject fully as interesting and perhaps not as often presented as the subject of



L. B. McCausland
Ross Bros., Wichita, Kan.
Director

Gov. Harmon's address. The subject is "The Building up of South American Trade," by James A. Wheatley, formerly of Cincinnati, but for several years in South America at Buenos Ayres, representing the Ault & Wiborg Company of this city. He comes prepared to give us some valuable information, something that in these days of expansion we are more anxious to learn about than we were a few years ago; and this is a very opportune time for us to begin consideration and study of the subject which he will present to us. (Great applause.)

Address of James A. Wheatley, of Buenos Ayres, Argentine, on "The Building Up of South American Trade"

I must apologize for attempting to take Gov. Harmon's place. I was never accused of being a speaker. I could not make a speech to save my life; but I can talk.

At a meeting of those interested in our company a short time ago, I started a talk of mine by telling this story. A man was called upon at a banquet to speak. He got up and said: "I was very much surprised to be called upon; there is not much I have to say except to thank you for your very cordial reception. I have never been a speaker; in fact I have never made a speech; but last evening at the banquet I was given a mint julep. "Now," he said, "had I been given a second, nothing could have prevented me from making a speech."

I left Cincinnati nine years ago for South America. Three months before leaving I studied Spanish, as I knew it would be necessary to talk the language of the country. For probably three months I took lessons every day. At the end of the three months, I could talk a little Spanish. I had probably thirty days more on my way down to polish up a bit, and when I got there I could manage to get on in a sort of a way, but I could not get along successfully without an interpreter. I found, however, that the little knowledge I had of Spanish was of great advantage to me. I think that a great many difficulties that American exporters have had in shipping goods to South America is owing to misunderstanding. For instance, if you are depending on an interpreter he may have only a fair working knowledge of English, and when he makes an interpretation he makes a free translation; and in turn makes a free translation to the salesman of what the prospective customer has said. Very often important points are overlooked. I had just enough knowledge to know when the interpreter was taking liberties with my English; and when he would lose the point I wished to convey, I would say: "No, that is not what I want to say; say it this way," explaining fully the point I intended to convey. He would do so; and on the other side when he would give me an interpretation of what the man had said in Spanish, I would also know when he was not giving me exactly what the man had said, and I would question him: "Did he not say this in this way?" And he would say: "Yes, you are right." So I avoided a good many mistakes. I want to make clear that unless you have a very good understanding with your client, there are likely to be mistakes. For instance, when you receive an order from South America they will ask you to number all cases and to give gross, legal and net weight on every package. That is not very difficult, but invariably the American exporter fails in this. I have had Argentinians say to me "I am surprised that a great manufacturing nation such as you are, though you do many things better than any other nation, yet fail on matters of detail that no other nation fails on."

You will find packages, after most careful instructions have been given, without numbers, and with the gross and net weights sometimes correctly marked, sometimes not; but rarely they will give you legal weight. In all South America every article pays a duty on weight, that is, you pay on the weight of the article plus the weight of the package, for instance, of liquid stuff in a barrel, you pay gross weight; but on cans, bottles or cases you pay on the weight of the material in the can or bottle. You can understand the difficulty, if a man received an order

from South America for two hundred cases, they say ten cases containing one class of goods, fifty another, thirty another and twenty another; and not being numbered it would be impossible for the importer to state to the customs house what is the contents of any particular case. So being unable to declare separately the legal weights, it means he must dispatch the goods as "contents and weights unknown," which would mean that he would be put to the expense of making petition on stamped paper; then every case would have to be opened and contents disturbed. You can imagine the enormous amount of work entailed.

In little things we are in bad repute. The South Americans say we are very, very careless in our checking, and we do not follow our instructions; and I believe that is true of the Americans doing business in foreign countries. They are careless in matters of details.

In matters that are very, very important Americans are quite up to the mark; that is, they manufacture well, they can meet prices; but they are at big disadvantage on account of not having banking facilities. They have difficulties also in having to pay more freight, not having American steamers. In nine years I believe I have only seen the American flag at Buenos Ayres three times, and once it was when two torpedo boats came down with the big fleet; they could not send all the boats up the river Platte, because there was not enough water; but only on two occasions have I seen the American flag in southern waters in two years. We have to pay for carriage in foreign boats. If we could get people interested in pushing a merchant marine, it would be good for all the manufacturers of the country.

I have taken some extracts here from a book; I think every man interested in foreign business should get one of these books published by the Department of Commerce and Labor, entitled "Special Agent Series, No. 62 on Foreign Credits." It is edited by Archibald J. Wolfe. I will just go over the few things he mentions to call your attention to little things you may not know, but before I go into that I had better acquaint you with the Argentine Republic a bit.

Our winter is just beginning there and we are having a cool day in the Argentine to-day, more than likely, and will have our summer season in the middle of December; in fact, the hottest weather we have is in December; and I sympathize with you gentlemen here trying to bear patiently what dry things I may have to tell you. This authority says:

THE AMERICAN MANUFACTURER ENTERS THE EXPORT FIELD.

The American manufacturers enter the export field as important competing factors at a time when their British and German rivals and predecessors have begun to reap the fruits of a long period of preparation, organization, and adaptation to foreign conditions. By sheer excellence of their products, the result of unparalleled ingenuity and inventiveness, by their superior manufacturing methods and remarkable enterprise, they invade the markets of the world and attain a most enviable position as an exporting nation. The vast home market, indeed, still engrosses the attention of most of the American manufacturers. It is comparatively a small number among them who have studied the foreign markets with an eye to the future as well as to the present. Many of them regard the export trade as a side line or as an experiment. The results of this phase in the growth of the American export trade are numerous complaints from foreign customers. The farsighted manufacturers who have built up a world-wide trade are seldom the objects of these complaints, but the novice seems to be bound to pass through this period of apprentice-

ship, until under the expensive tutorship of experience he learns to transact his business with the foreigner as smoothly as with the home customer.

THE AMERICAN ATTITUDE TO FOREIGN CREDITS.

Among the criticisms most frequently directed against the American manufacturers from all quarters, one of the foremost, if not the foremost, is connected with the subject of credit.

It may be admitted here that the demand for credit in the export markets is a vital one and that the European exporters adequately meet this demand. The American manufacturers, on the other hand, have been persistently blamed for ignoring it. The result of this attitude, it is pointed out, is that Americans lose trade to the nations which will grant the credit required in the export field.

"Cash against documents in New York" at this period comes to be known as the cast-iron rule of many American manufacturers. Some, indeed, have listened to the reproaches of critics and have shown a tendency to be liberal to foreign customers, and as a result have met with financial losses. They soon realize that while refusal to grant credit may lead to loss of trade, indiscriminate credit granting is sure to lead to loss of money.

CAUSES OF RELUCTANCE TO GRANT CREDIT.

We may be permitted at this point to analyze the underlying causes which account for the reluctance of many American manufacturers in granting to foreign customers credit terms regarded by the latter as reasonable. To ascribe this reluctance to "ignorance" is unfair in many cases. It has, indeed, happened that a manufacturer has refused to accommodate in the matter of credit a house of absolutely assured standing, simply because "cash against documents in New York" is his rule, but most American manufacturers declining to do business abroad on a credit basis do so because they feel that in some way or other they are not equipped for this class of business. The difficulty of obtaining reliable credit information regarding the financial standing of foreign customers, the danger of not receiving a sufficiently timely warning of any change in their financial condition, the fear of unfounded complaints, unwarranted deductions and unreasonable delays in payments; the impossibility of obtaining justice in commercial litigation in certain undeveloped countries, and the high cost of such litigation in other countries and, finally, the consideration that a manufacturer who has invested his capital in his plant and patents depend naturally upon a reasonably speedy return on his investment and cannot undertake to finance a large number of importers in foreign markets—all these are weighty arguments for prudence.

LACKING CREDIT FACILITIES.

If the American manufacturer owes his customer abroad a certain measure of accommodation in the face of the above arguments, then there is evidently something lacking in his facilities which foreign manufacturers apparently enjoy, or he may not be fully familiar with such facilities as do exist. How far, then, can the American manufacturer go under the present conditions in meeting a legitimate demand for credit on the part of the firstclass foreign customers? How can he meet this demand reasonably and with safety? What improvements in our export and banking organization are necessary to that end? The fact that American manufacturers, individually and as members of manufacturing associations, have seriously discussed this problem, shows that they are not indifferent to the exigencies of the situation. "If our German and

British competitors grant these long terms of credit, how can they do it? And how can we accommodate our foreign customers in the matter of credit without tying up hopelessly our capital in the financing of foreign shipments?" These are the questions uppermost in the mind of a manufacturer giving the subject of foreign credits serious consideration.

HOW THE GERMAN MANUFACTURERS EXPORT THEIR PRODUCTS.

The German manufacturer doing an export business either entrusts the export merchant with the task of pushing his goods in the export field, which is done by means of sending out catalogues, samples, price lists, etc. (mostly "neutral," without revealing the name of the manufacturer), or he merely contents himself with accepting the orders turned over to him by exporting merchants, relying on his established connections with these merchants or on the canvassing efforts of the export agent, or both. The small manufacturer in Germany seldom dreams of installing his own sales organization for foreign markets. It is only the big manufacturer who has an outlet for his goods in some special geographically well-defined market who will undertake to do so. The so-called "kartells" combinations of producers of raw and semi-manufactured products, are also in a position to establish selling branches of their own abroad, to maintain traveling salesmen, and to push their goods through agents of their own.

The German manufacturer, striving as he is for "direct" trading, is not equipped for it. There is an unmistakable tendency to eliminate the export merchants, but the realization of the difficulties in the way curbs the tendency considerably. The manufacturer who has tried "direct" trading and has "burned his fingers" finds little sympathy from the export merchant. His example is held up as a terrible warning, and the export merchant asks, with a considerable amount of logic: "Does it pay to deal direct and run the risks of loss, if by taking advantage of a strong existing sales organization with a knowledge of local conditions such as the manufacturer could never hope to rival, the risk may be entirely eliminated?

But the German manufacturer seeks to increase his foreign sales and he cannot content himself by receiving chance orders. He has the opportunity of making sole selling arrangements with export merchants for certain special markets. In this case the export merchant is bound to sell no article competing with his principal's goods. The manufacturer pays the export merchant a commission agreed upon, whether orders are received direct or through the export merchant, provided they come from the territory assigned to the latter. The costs of traveling salesmen are thus distributed among a certain number of non-competing manufacturers. The traveling salesmen seek to push the lines they represent to the best of their ability. The export merchant relieves the manufacturer of all the routine of shipping and is in fact the manufacturer's "export department."

THE EXPORTER RELIEVES THE MANUFACTURER OF CREDIT RISKS.

It has been mentioned that one of the principal functions of the export merchant is to relieve the manufacturer of the risk of foreign credit. This risk, of course, is considerable. The German manufacturer is still less able than his American or British competitors to finance the purchasing operations of a large number of foreign buyers, to wait months for the receipt of funds, to run the risk of the foreign

customer refusing to receive the goods or to pay for them. In order to be able to keep on manufacturing, the German manufacturer must have the capital invested in the manufacture of his goods returned to him with considerable promptness in the shape of money. This is true of manufacturers in all countries, but particularly so of German manufacturers, since the employment of industrial credit in Germany is exceedingly widespread and manufacturers work to a large extent with "other people's money."

The foreign customer is unable to pay cash for his goods. We have referred to his need of credit in the introduction to this report. If the foreign customer does not command adequate means at home, or has at his disposal a reasonably cheap credit, he must postpone the payment for his purchases until he has disposed of his imports or received the value of his exports.

The export merchant through his branches within the sphere of his activity is in touch with the customer. He has the means to finance the foreigner's imports, either through his own capital or with the assistance of the banks.

WHO GRANTS LONG-TERM CREDITS.

We shall have the opportunity of examining minutely the question of these credit dealings, but we may here state that the long-term credits granted by the Germans in Latin-America and the Far East, and in fact in almost all export markets, are not credits granted by manufacturers, but by the export merchants with or without the financial assistance of certain banks. Except in the European countries, German manufacturers seldom, if ever, grant credit to foreign customers.

The export merchant pays the manufacturer in cash. This means in Germany cash within thirty days. All Hamburg export merchants settle with manufacturers in thirty days. This is considered "cash" because the time is taken not for the sake of credit but for the sake of convenience. The export merchant wants to have the goods in his possession before he pays. Nor does he utilize the entire thirty days, but makes a practice of paying on the 10th, 15th, last or any other special day of the month following the purchase, because it is more convenient to pay all such invoices at one time.

DRAWING ON FOREIGN CUSTOMERS.

The foreign customer orders goods to a certain value, the German exporter draws on the customer, and when the draft is paid the debt of the customer is extinguished. It is not usual to include in the credit the time before the customer gets his goods. The draft is drawn at a certain period after sight. When the draft reaches the customer before the arrival of the goods, the acceptance is withheld until the goods arrive. In South America the shipping documents are frequently delivered direct to the customer, which, of course, is a mark of great confidence, but mostly these papers are sent to a third party, a bank or forwarding agency. In this case, the third party must be notified not to insist on acceptance until the arrival of the goods. (The shipping documents, of course, include the bill of lading, an insurance policy or certificate, and a copy of the invoice. There are in most countries certain regulations with regard to consular invoices as well.) The instructions in the case of these drafts generally read: "Present for acceptance on the arrival of the steamship ____."

Where the draft is drawn payable at sight, no credit has been really granted, except that the exporter has undertaken to wait until the goods

reach the customer. Generally the draft is drawn for a certain period of time after sight, and this length of credit varies considerably. It depends upon the line of goods, upon the standing of the customer, upon a hundred and one special individual circumstances. For this reason there is no such thing as "standard terms" in Germany, except along most general lines.

Customary length of German drafts on over-sea countries: South America, three, four, five, six, nine and twelve months; most frequently three and six months. Central America and West Indies, five, six, and



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Director

nine months; Australia, thirty, sixty, ninety and one hundred and twenty days; China and Japan, mostly three months; also two, four, and six months; Dutch East Indies and Straits Settlements, thirty, sixty, ninety, and one hundred and twenty days up to six months; British India, thirty, sixty, ninety, and one hundred and twenty days; West Africa and East Africa, thirty, sixty, ninety, and one hundred and twenty days; South Africa, sixty, ninety, and one hundred and twenty days up to six months; Northern Africa and Asia Minor, four to nine months.

INCREASED CREDIT FACILITIES.

In the course of the past thirty or thirty-five years the increase of German exporters, the rise of German foreign banks and Hamburg private bankers and merchant bankers, but most of all the opening of London branches of German banks admitting German commerce to the London money market, have brought about increased credit facilities to the German exporter. The German banks doing a foreign business are but to a slight degree givers of personal credit to German exporters. Their activity is mostly limited to the negotiations of documentarily secured transactions with over-sea markets. But the so-called great German banks, which as will be seen later, are so closely allied with the banks doing a foreign business, have undertaken the problem of granting personal credit to exporters. Some individual English banks with branches in Hamburg have added this feature to their work and also grant personal credit to German exporters.

ACCEPTANCE CREDIT.

The exporter may not always utilize the maximum amount of credit granted him, but is always at this disposal. This demands a tying up of capital on the part of the bank, for which reason merchant and private bankers pay less attention to the account-current business than to acceptance credit. In acceptance-credit transactions the banker stamps his acceptance on the draft, and an excellent means, entirely lacking in American business, is provided for the financing of exports without in any way tying up the banker's money. He lends his credit. The exporter using this credit obligates himself to cover the amount of acceptance, generally three days before maturity. The credit standing of the drawee makes the paper readily discountable in the private market. The judgment of the market prevents excesses through inflating the acceptance credit. When there is too much acceptance paper outstanding against this or that acceptor, the market reacts. And the grantor of the credit naturally is careful not to do anything to shake the confidence of the market in himself.

Money procured through acceptance credit costs the debtor after private discounting, a commission of one-fourth to one-half of 1 per cent. for three months, revenue stamps, and brokerage. The exact amount of the acceptance commission is regulated by the desirability of the acceptance as determined by the open discount market. Accommodation through the account-current business is subjected to the official discount rate and affected by the bank's state of liquid assets. When the private discount rate is exceptionally low, say below 3 per cent., acceptance credit is much cheaper for the exporter than the account-current accommodation. Otherwise both are about equal.

THE GERMAN BANKS IN THE SERVICE OF EXPORT TRADE.

The aim of the German banking system with regard to foreign trade expansion was to assist the German export merchant in every way by facilitating export and providing food and employment for the domestic population, to develop the German colonies, to further German cable connections, to compete for a share in foreign loans, to found industrial enterprises abroad, to start and promote international commercial relations, to strengthen German influence in foreign countries, to assist German shipping, to found banks in foreign countries, and last, but not least, to pursue a careful financial policy for the purpose of a financial preparedness in the case of war.

LONG-TERM CREDITS A MENACE.

Everywhere in Germany voices are heard against the undue extension of long-term credits at home and abroad. In times of financial stringency, such as prevailed in Germany during the Morocco controversy with France, the results of losses in credit dealings were plainly apparent. There is a certain element of peril in too liberal credit facilities.

THE MERITS OF THE ENGLISH SYSTEM.

The service in the English banks in the financing of foreign shipments, as outlined in the foregoing pages, is, on one hand more conservative than that of the German banks for which the English system has served as a model, and, on the other hand, more thoroughgoing as assisting exporters of assured financial standing. There is not in the English system that extensive ramification of long-term industrial credit, partly due to the peculiarly intimate connection between banks and industrial enterprises which is characteristic of Germany. But the English banks for foreign trade have subdivided the export field in such businesslike fashion, honeycombing each section with branches, agencies, and correspondents, and through the undisputed position which London still maintains as the center of the financial transaction in international business, are so well placed to serve their clients that the English export trade cannot help but derive the utmost advantage therefrom.

The English export merchants have been longer in the field than any of their competitors. The best among them maintain organizations in foreign markets which are unapproached by rivals of any other nationality. The reliability of the English export merchants of the better class is a by-word in over-sea countries.

ASPECTS OF THE EXPORT CREDIT PROBLEM IN AMERICA.

American manufacturers have been persistently criticized for indifference to the need of credit on the part of their foreign customers and their alleged lack of liberality contrasted with a more accommodating attitude of their British and German competitors.

A careful inquiry both in Germany and in the United Kingdom has failed to reveal that the manufacturers of these nations are more willing or better prepared to grant long terms of credit to over-sea customers than American manufacturers. The export trade is in the hands of export merchants having establishments of their own in their particular spheres of activity over-sea. The business of these export merchants is largely financed by banks specially catering to this trade, and the need of buyers in those markets for credit accommodation (which need is indeed a real one) is met by the co-operation of banks at home and over-sea with the exporter and the buyer. A tendency to enter into direct business relations with foreign customers is to be sure, apparent both in Germany and in Great Britain, and manufacturers' associations in both countries do their utmost to foster direct business, but in the bulk of the export trade done by both countries direct trade by manufacturers, and particularly on a credit basis, is almost a negligible quantity, being confined, as far as the Germans are concerned, to sporadic efforts with the more staple sections of the export field, and as far as England is concerned, principally to the English colonies.

MANUFACTURERS IN ALL COUNTRIES REQUIRE QUICK RETURNS.

In the case of these direct dealings with the export markets neither German nor British manufacturers are in a better position than the

American to carry on their books a number of foreign credit risks for lengthy periods. The manufacturer cannot tie up his capital in such transactions. He must have cash within a reasonable period of time after he ships the goods or he cannot keep on manufacturing.

Of course, where the German or the British manufacturers find it necessary to extend long credit, both have at their disposal the same remarkably adequate machinery for financing foreign shipments as the export merchant, only that the exporter's transactions with any one bank specializing in the trade with a certain section of the export field are bound to be far more important in volume than those of an individual manufacturer, and the merchant is better able to cater to foreign demand for credit.

FOREIGN MANUFACTURERS RARELY GRANT LONG CREDITS OVER-SEA.

On the whole the German manufacturer in shipping goods abroad direct, and to a much greater degree even the British manufacturer doing a similar business will refuse to grant long credits to foreign customers discriminately. Any reader of British consular reports will find that the British manufacturers are blamed as faithfully and regularly as the American manufacturer in the matter of restricted credit accommodations to foreign customers. German manufacturers in recent years have met with severe losses in attempting to do a direct business in the Far East, particularly in Japan and China, and in other export markets, and regard the subject of foreign credits in a spirit of chastened reluctance. The entire system of long-term credits is being severely condemned. Prominent financiers caution the trade against it, and the tendency to restrict credits as far as possible is distinctly noticeable.

THE CREDIT MAN AND THE DOMESTIC RISK.

The credit man also well realizes the fact that he can generally get into immediate touch with the customer; he can readily verify any excuse offered by a customer asking for an extension of time, or he can take precautionary measures when overbuying is reported to him, and he can adjust credit to the risk's ability to pay, to his relative promptness in payments, and to any variations in the customer's standing as reported to him by the agencies. Finally, if the customer fails to live up to his contracts, he can make use of the machinery of law for recovery, and he is intimately acquainted with all the workings of same. Even so, bad accounts are constantly encountered, and losses through fraud, bankruptcy, and other causes are by no means uncommon. The credit man can guard himself against these as well, for there are companies which will indemnify against loss by bad accounts, for a nominal sum, providing credit has been extended with the observance of certain specified precautions.

When dealing with foreign risks the domestic credit man is generally at sea. Unless he has made a special study of foreign credit conditions in various foreign markets, he deals with unknown quantities. He may not know how to obtain dependable credit information on the standing of foreign customers; he may be unfamiliar with the means of safeguarding foreign accounts; he may be unaware of the methods of keeping in touch with the fluctuations in his customer's financial standing; he may be at a loss when confronted with the necessity of collecting abroad. In short, all these elements of expert knowledge and ripe experience which constitutes his own value as a domestic credit man are lacking when he comes to deal with foreign credits. And conditions in almost every export mar-

ket are so different from those at home that the domestic credit man, if he is to pass efficiently on foreign credits, must acquire this lacking knowledge and experience, or employ a trained credit man for foreign work or, as frequently happens, turn over the task to the export manager who is naturally, in the first instance, a sales manager and not a credit man.

What are the means for ascertaining the financial standing of a foreign customer? These are two-fold in nature. First, there are those available at home, then there are those which are available in the locality of the foreign risk.

The domestic sources for obtaining information on the standing of foreign customers are in their turn subdivided into three classes: Credit-inquiry offices proper, banks, American manufacturers supplying the customers with similar or with non-competing goods.

IS THE AMERICAN MANUFACTURER AT A DISADVANTAGE?

The question whether the American manufacturer is or is not at a disadvantage in discounting his bills on foreign countries as compared with the German and the British manufacturers, is a difficult one to answer by "yes" or "no." When reference is made to individual transactions it will be found that an American manufacturer of standing will have no trouble in having his ordinary bills on most foreign countries discounted by American bankers, or the New York agents of foreign banks or he has the choice of sending his bill for collection to the banks located in foreign points, and it is apparent that in either case the cost of transaction to him is no greater than to the German or the British shippers. It is in the general system of financing foreign shipments, as described in the chapters on German and British methods, that the Europeans have the advantage. The elastic system which permits banks to accept bills drawn on them by their customers, who can have these bills re-discounted, the existence in Germany and in England of authoritative institutions laying down the discount and loan rates which automatically guide the entire banking system in its dealings with individual clients, and finally the presence of an open discount market which permits bankers to employ funds in the purchase of bankers' and prime merchants' bills and to re-discount same when cash funds are needed—these are among the principal aids to a freer system of financing the foreign business than that prevailing in the United States. In the United States paper discounted for a bank's customers is held until maturity and is so much dead weight in the bank's vault, the operations being, therefore, necessarily restricted; in fact, it is only because American bankers are able to discount bills purchased from American exporters in the foreign markets that they are at all in a position to negotiate such bills for their customers.

TRAINED BANKERS FOR FOREIGN WORK.

An important step in the improvement of banking conditions would be the education of American bankers and bank employees along foreign department lines. There are few American-born foreign exchange experts. And if we had a suddenly established chain of foreign banks, there are but few young American bankers with a thorough knowledge of foreign conditions who could be placed in charge of same. The need of specializing in foreign banking cannot be too strongly urged upon those interested in training aspirants for banking positions.

Nevertheless the entire system of financing American export

shipments, as distinct from the question of the discounting of individual drafts by manufacturers of standing, suffer in comparison with the German and British methods with regard to elasticity and scope, making it impossible for the American manufacturers to undertake the financing of foreign accounts on so large a scale as is done by German and British export merchants (and to a lesser degree by German and British manufacturers), as the bankers under American conditions (lack of open discount market and bank acceptances) cannot co-operate with them to the same extent as the German and British banks co-operate with the export merchants and manufacturers of Germany and England. The lack of re-discounting facilities necessarily restricts the service of American banks in this respect.

The old-time rigid policy of "cash against documents" at the port of shipment is being more and more retired in favor of a rational liberality, and is now restricted mostly to novices in the export trade, manufacturers without a foreign sales organization, and by occasional exporters, or else applies to certain lines which are by trade usage cash lines.

The Argentine Republic is not a back number. We have down there a large wealthy organization known as the Jockey Club. Its income is about \$80,000 a week. The Americans down there have quite a fair sized colony and we wanted to organize a boxing club. Some natives said they thought if we would apply to the Jockey Club, it would assist us financially. Their friends wrote a letter telling what a fine thing it would be to teach the Argentines how to box, and get them in the habit of using their fists instead of guns. The club readily assented and set aside \$500 a month for twelve months for this purpose. One man said we could get money from Congress if we applied for it. Imagine what would happen here if Congress voted Cincinnati \$10,000 to promote a boxing match! But they applied to Congress and got 10,000 pesos. Then I thought I would help the thing along, and I gave a prize of a little medal for welterweight contests. The natives all entered it. One man's name was Axe—to anglicize it—the other man's name was Peace. In other words Axe was going to finish with Peace. After three rounds Axe connected with Peace and Peace fell down and the referee began to count, and while he was counting Peace out, the game little fellow thought it was due to the members of the club to excuse himself, and he said: "Gentlemen, I desire to arise, but I cannot." So I desire to thank you, but I cannot. (Great applause.)

President Salisbury—The report of the Committee on Credit Co-operation will be presented by H. A. Beckers, of St. Louis, chairman.

Report of Committee on Credit Co-operation

To the Officers and Members of the National Association of Credit Men.

Your Committee on Credit Co-operation has closed a very interesting year, and right at the start desires to record its conviction that in the development and protection of sound credits no more important department can be fostered than that of exchanging ledger experience upon systematic and proper lines.

Reviewing the progress of commerce which has been mounting into such large figures during the past decade, it needs no argument that this splendid growth has been made possible by the soundness of credit and that sound credit has been made possible by co-operation and interde-

pendence between credit departments. A conscientious and reasonable employment of ledger interchange will more clearly indicate the unfitness or unfairness of a buyer than will any other method of securing information. The cultivation of this exchange upon a reciprocal basis has tended to the elimination of undesirable and unsafe buyers, to the reduction of waste through insolvency and fraud, and therefore every safeguard should be thrown about the interchange system so that it may be kept free from every character of narrowness, unfairness and abuse.

The element of reciprocity in interchange is fundamental. No information should be asked unless the inquiry is accompanied by an accurate and faithful account of the inquirer's experience or a statement that the inquiry is upon an initial order. Nothing so endangers the system as to have inquiries made for the purpose of order getting or to have the information used other than in a perfectly legitimate and honest manner to assist the inquirer in determining upon the acceptability of an order in hand or upon the treatment of an open account.

If the interchange system is to become increasingly valuable its inviolability must be defended, and it is important therefore that interchange be between credit departments. The mailing of inquiries by salesmen after the taking of an order or by any outside of the credit department where the acceptability of the order or account is to be determined upon, will lead to abuse and to the undermining of the entire system of ledger experience interchange. We deprecate any disposition to impose burdens upon the system by unnecessary requests or a disposition to make the system available for other than information of value in the extension of credits, or any disposition to inject into it any than the highest commercial ethics.

Your committee records its belief in the rules for the governance of exchange of ledger experience approved at the Boston convention and urgently recommends that they be observed unvaryingly in the conduct of credit interchange. If your committee can so designate it, the sanctity of this interchange should be honored above all things, and nothing would prove more unworthy of a credit manager or credit grantor, or react more definitely against him than the discovery that he had revealed to the party inquired about the information he had secured, and the name of the party who had given it. Now and then, infrequently, we are glad to say, there drifts into the National office reports of such breaches of faith, but to the great credit of our work, its influence, education and ideals, such abuse of confidence would not only be severely penalized, but the perpetrator regarded as almost an outcast in the credit profession.

It will be observed that your committee passes on to the National Association and its succeeding committees a heritage of high order and a responsibility that must never be sacrificed or lost sight of if the bulwarks of commerce are to remain sound and extensive and complex credit granting is to continue.

Acting upon a resolution adopted at the Boston convention your committee considered the standard inquiry form that has played a very important part in promoting credit interchange, and after conference and study was satisfied, that the form could be improved. Consequently, a new form was evolved, a copy of which is made part of this report. Immediately upon announcement the form became popular and is now extensively used. It may be necessary for succeeding committees to make some slight changes, but your committee believes that the form

should continue practically as adopted during the coming year and that its use by credit departments should be encouraged.

The interest manifested upon the part of our local associations in Credit Exchange Bureaus has been observed with deep interest by your committee and every encouragement extended the strengthening and development of this interest. During the year Credit Exchange Bureaus were organized by several of our local associations, and in addition to this local interest your committee has very thoughtfully observed the development of interest in a national interchange among our Credit Exchange Bureaus.

The Special Committee on Credit Exchange Bureaus authorized at the Boston convention and appointed by President Salisbury, met in conference at Niagara Falls, and after an extended discussion evolved a plan of interchange whose value is yet to be tested.

Your committee has kept in close touch with the Special Committee on Credit Exchange Bureaus and granted to its work every possible co-operation and support.

It is a first essential that national interchange should not prove burdensome nor unnecessarily expensive. It ought to prove highly beneficial in a more scientific elimination of the unfit or undesirable merchant, and the National Association of Credit Men should encourage the test of any reasonable co-operative plan.

It should be borne in mind that this department is not to be operated for profit but for the sole benefit of subscribing members, and we urge therefore every economy and possible simplicity in the evolution of a national interchange plan.

The division of the country into zones is to be commended. The organization of these zones it will not be possible to effect this year, but perhaps five of the seven proposed will be organized and the coming year will test the organization plan in each of the zones, and permit the working out and testing of the plan of interchange between the zones. The evolution of such a plan must be watched over carefully by the entire membership, every impression of its commercialism or profit making corrected, and the efforts of the association constantly respected by those availing themselves of the bureau service and those directing and supervising the bureaus.

The summing up of the year's work would indicate promise and every reason is present to give encouragement and we heartily commend the unselfish dedication of our work to the promotion of credit co-operation and the exchange of ledger experience upon lines that may be free from selfishness or abuse.

Your committee tenders the following resolutions:

I

"Resolved, By the National Association in convention assembled, that its belief is reaffirmed in the protection and development accorded sound credits through credit co-operation, in the importance of frank interchange between credit departments, and it is here urged that every effort be devoted to their further cultivation by insisting upon genuine reciprocity and a freedom from imposition and abuse.

II.

"Resolved, That the 'Standard Credit Inquiry Form' prepared and recommended by the Committee on Credit Co-operation be endorsed and that its use by credit departments in every reasonable way be cultivated.

III

"Resolved, That local associations be urged to consider the importance and value of operating Credit Exchange Bureaus and wherever such bureau is not at present organized and operated, the local membership be encouraged to establish such department.

IV

"Resolved, That close supervision in the operation of Credit Exchange Bureaus by local committees be directly asked and expected so that their service may be protective and their operation free from any justifiable criticism.

V.

"Resolved, That national interchange between Credit Exchange Bureaus be promoted and every opportunity given to the development of a reasonable and economic plan for effecting this interchange."

Respectfully submitted,

A. A. MAYNE.
J. S. STEWART.
K. T. GREEN.
F. L. STURDEVANT.
H. A. BECKERS, *Chairman.*

Toward the conclusion of the report Mr. Beckers said: I have a few slides showing the forms needed in assembling and reporting the information that was received in the Gulf Zone. I believe all will be greatly interested in them. (Slides shown.)

The first slide presents a report that is assembled. This is the report that is assembled in the office making the inquiry and is sent out not only to members of the local associations who contribute to the report, but is sent to all the bureaus contributing to the report. So that the members of the Gulf Zone will get information from St. Louis, New Orleans, Memphis, Birmingham and Dallas; and I understand Nashville wants to come in with us, and Montgomery, and no doubt Kansas City and St. Joseph. So that we are to have a very comprehensive zone in a short time. (Applause.)

You will notice a column is provided in which to show the amount owing on the account. Next is a column showing the amounts passed due. Then there is the third column showing the amounts on first orders.

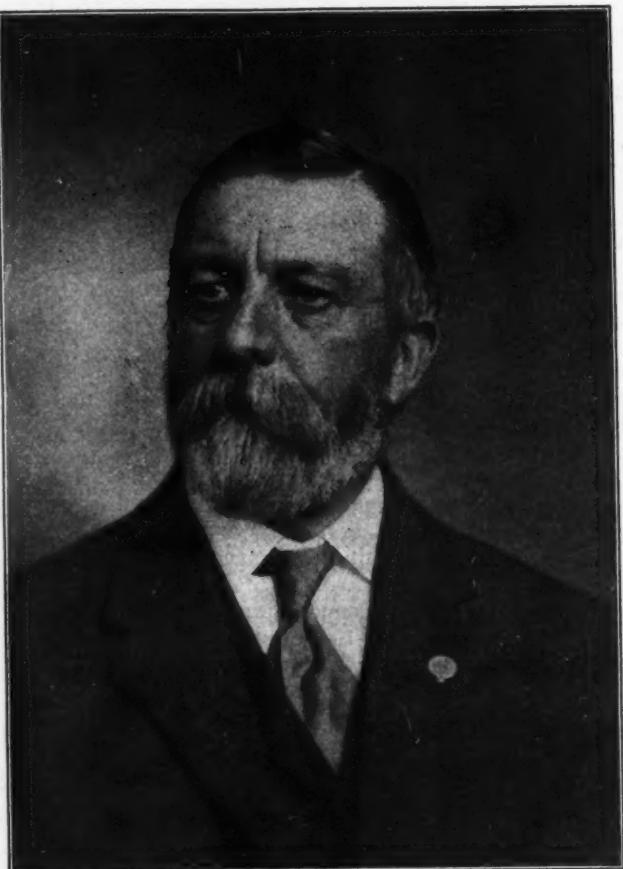
These columns are footed up and not only the totals of the present report, but the totals of the previous report are given, thus showing whether or not the party is going backward or forward. It also shows you at a glance and gives you the information that you could obtain otherwise, no doubt, but how much better it is to have it gathered for you, at less expense, less time and trouble on your part, and have it all printed before you in one item, where you can review your problem in all various bearings?

The next slide is the inquiry form. It merely shows the ticket sent into the bureau when information is wanted on a certain customer. The manner of payments is given by numbers, showing how the party pays his accounts. These numbers are checked by the credit man and sent back on a reply ticket or sent out to the different members of the bureau to get that information checked out on the reply ticket; and when they are all assembled they are all copied on the reporting ticket

shown heretofore. In this way you can get in a condensed form all information desired with very much less work.

The reply ticket is the same as the inquiry ticket, but with a little change in the type of the form.

I want you to see the advantages of the reporting system, in the hope that the incoming committee can enlist the interchange bureaus throughout the country to the end that the reporting system may be adopted as soon as possible. I am satisfied if you will make inquiries from the incoming committee, or from the secretary's office, that you



ARTHUR PARSONS
Z. C. M. I., Salt Lake City, Utah
Director

will get all the information desired concerning the operation of this bureau; and I am also further satisfied that you will find it very much more satisfactory than any other system that could be adopted.

In recommending this system we are not recommending an experiment. It has been tried out by two bureaus and has worked out satisfactorily and successfully.

The resolutions were then read by the secretary as embodied in the report.

Chairman Beckers then moved the adoption of the resolutions and the motion was seconded.

President Salisbury—The discussion on the report will be led by K. T. Green, of St. Joseph, and L. C. Sadd, of Pittsburgh. After having finished their discussion it is requested that those who have opinions to express, bring forth their arguments either for or against, not only the resolutions, but, if they will, upon the report made by the committee, and get a full and complete idea of the wishes and desires of the convention. The resolutions will not be placed before you for voting until after the discussion on the general resolutions has been ended.

K. T. Green—I am under a little embarrassment in this matter, as I seem to be the first man picked out to shoot at. The new order of things, I thought, would strike some other man before it struck me.

However, it may be that our secretary has put this report first on the program on account of its relative importance. Coming through Indiana yesterday, I noticed a little explanation of an advertisement which I believe will apply to the work of the committee. It was this: "We made it good; its friends made it famous." Now, if credit co-operation ever amounts to anything as a part of the National Association of Credit Men, it must be heartily entered into by every member of the Association, not by a few, and then a half-hearted co-operation by the rest of us. As expressed by one of the members of the St. Joseph association recently, the theory is fine. He said: "There is not an argument that you can put up that cannot be answered satisfactorily in favor of credit co-operation. However, the working out of the detail is another matter."

I do not know whether the National Association intends to go ahead with the thought of securing its own information or whether it intends to co-operate with some other organization. I do not know whether this question has come to others among you, but in St. Joseph it has come directly to us. Some organized bureaus have even asked us to co-operate with them. Now, if the National Association expects to win out in this thing, I believe we must decide first whether we are going to support it, and go out independently and gather our own information, or co-operate with others. We must decide on some definite policy first.

I think that Mr. Tregoe should have an assistant, whose duty it shall be to superintend this work. I believe there are a number of organizations which have the theory perhaps in their minds, and that is as far as they have gotten, and as far as they ever will get unless we have some one who has ability and the time to devote to the work. The detail is almost endless. I believe we will all agree that we must have a starting point. In St. Joseph we started filing lists of customers, but after one year's use we found we must go to the tabulated report in order to get the results; and we have so taken action in our association. From now on we intend to tabulate our information and file it with our secretary, who in turn will give it out to these other bureaus when they are ready to ask for it and we are ready to have it, in such a way that they will appreciate it when they get it.

There is one very great difficulty, and that is after you get your information you do not know whether it is reliable; you do not know whether it is complete; and when you have it in hand I believe that any information on which we base credit should be of such a reliable nature

that we can intelligently pass on it and be fair, not only to ourselves, but to the man whose order we have in hand.

We realize that business expenses are increasing, that our profits are growing less each year; and I would like to term the dividend that might be derived from the credit man's desk through this kind of work, through this kind of co-operation, as the by-product of the credit man's desk. I believe that it will produce a dividend at the end of the year which will be amazing to us when we make up our balance sheet.

I am glad to note that the work of the committee has been appreciated to this extent that the inquiry form is being used liberally. (Applause.)

President Salisbury—I presume those who lead these discussions are aware that they are allowed three minutes in which to present their argument. Mr. Green evidently understood that, because he got under the wire in about three minutes and twenty seconds.

L. C. Sadd, Pittsburgh—The Committee on Credit Co-operation to whose report we have listened, was an offshoot of the Mercantile Agency Committee, the change being made at New Orleans in 1910. I believe that the officers of our Association and this committee have reason to be gratified with the work that has been accomplished along the lines that they have suggested.

We have here present, approximately a thousand or so members. With a membership of 17,201, we have here 5 to 6 per cent. of our membership. Now, the report of these meetings as published in the BULLETIN goes to the other 94 or 95 per cent. and I dare say that a large part of them read the BULLETIN. For a number of years I planned to come to these conventions before I succeeded in getting to one; and at the time of the publication of the convention number of our BULLETIN, I always take great pleasure in reading the proceedings, considering it one of the most valuable sources of information that comes to the desk of any man who has to do with the granting of credits. It is important for us to remember, that we are only 5 per cent. of the men who are benefiting by these reports and the very splendid addresses presented before these conventions.

With respect to keeping our work on a reciprocal basis, let me say that a great many of the credit inquiry forms that come into our offices do not give such information as we ourselves are asking for. I have always thought that the reason for this was that the form lays more emphasis on the getting of the information than on the giving of it; and during the past year I have adopted a report differing from that suggested by the committee, in which I use the face of the form for the information I give the man to whom I am mailing my request for information and on the reverse side are reported the cardinal questions for drawing out the kind of information I need. After reading my experience he turns the form over and writes his reply on the reverse side. He keeps the original of my report and I have the original of his as also his carbon copy. The objectionable feature in the national proposition is that it necessitates the printing of the name of the member on both sides of the form. But I have a feeling that if my plan were adopted it would overcome the abuse of the trade inquiring system, because it is an abuse when you receive an inquiry which does not give you a man's experience.

In 1910 when Mr. Mayer was chairman of this Mercantile Agency and Credit Co-operation Committee, he submitted in his report a list of the exchange bureaus of the country and how they operated. Pitts-

burgh is in the recently formed central zone territory. There are eleven bureaus in that zone, including those at Buffalo, Lexington, Indianapolis, Cincinnati, Columbus, New Castle and Youngstown. We are working principally on the basis of exchanging names rather than the tabulation of reports.

Pittsburgh to-day stands ready to exchange information with any zone or any credit exchange bureau. I have been asked concerning her attitude in this matter several times since my arrival and was surprised, because I thought our attitude was generally known. We will furnish any information that we have on record so far as the names of the people selling the debtor are of record in the office. We have one hundred and sixty members of the Pittsburgh association, who are also members of the exchange bureau; our bureau is conducted on the card system, and we are strong for the card system; and we feel that the tabulating system is a mistake for it involves too much detail.

It is rather expensive operating an exchange bureau, as some of you know—especially when you have an organization capable of doing intelligent work such as we have in Pittsburgh.

Here is the outline of it: The charge for the service is \$25; which means unlimited service; when a subscriber joins the bureau he gives the list of his customers and as new customers are taken on, these are recorded, the whole being tabulated on cards. The members of the bureau are assigned numbers. We have over a million references in our files, and these are open to any exchange bureau inquiring for the information, and it is furnished free of charge.

President Salisbury—The question before you is upon the adoption of the resolutions. Do you wish to vote upon them separately?

James McQueeney, Kansas City—From the remarks I conclude there is a difference of opinion as to the best system to use in conducting exchange bureau work. Therefore I beg to offer the following resolution:

Resolved, That the adopting of the assembling system as well as the use of uniform blanks be recommended to all associations having credit exchange bureaus, or which contemplate the establishment of such bureaus."

President Salisbury—I believe that it is quite impossible for this convention to determine or to decide for any association just what system it shall use.

Mr. McQueeney—We ask in this resolution only that the National Association recommend the assembling system. We believe that system is the better.

President Salisbury—It seems to me the resolution offered does not conflict with the committee's resolution now before us, and I think it better that we vote on the resolutions one to five, and let this, if you wish, be numbered six.

Isaac Petersberger, Davenport—There is one phase of the report that I want to call attention to, a phase that is not touched upon in the resolutions, though in my opinion as a member of the Association and as a secretary of an affiliated branch and as a lawyer of some sixteen years experience in handling these matters, it is of vital importance. I refer to the following statement taken from the committee's report:

"Now and then, infrequently we are glad to say, there drifts into the National office reports of such breaches of faith, but to the credit of our work, its influence, education and ideals, such abuse of confidence would

not only be severely penalized, but the perpetrator regarded as an out-cast in the credit profession."

In order to get frank information there must be some protection. Your report says:

"Such perpetrators are to be severely penalized."

But nowhere is there a resolution showing how they are to be penalized; and I think something of that kind should be incorporated. The situated is plain; the fact is that breaches of faith exist, and you cannot expect frankness except by some method of penalization, and I would be glad to see a resolution covering such a point adopted.

President Salisbury—Do you desire to offer such resolution?

Mr. Petersberger—No.

George K. Smith, New Orleans—In my opinion the committee's resolutions should be voted on separately. We ought not to handle them all at one time.

President Salisbury—That will be done. The secretary will read the resolutions.

Secretary Tregoe then read resolutions 1 and 2 which were adopted without debate.

The secretary then read the resolution 3 as follows:

Resolved, That local associations be urged to consider the importance and value of operating Credit Exchange Bureaus and wherever such bureau is not at present organized and operated, the local membership be encouraged to establish such department."

T. J. Bartlette, New Orleans—I move to insert after the word "credit exchange bureaus" the following: "In connection with the adjustment bureau in order to afford a fund from which this credit exchange bureau may be supported, because the experience of those associations which have tried it is that one is necessary to support the other."

Seconded by A. C. Carpenter, of New Orleans.

R. D. Wilson, Omaha—It seems to me it is not necessary to adopt an amendment such as is offered. In Omaha we are establishing a credit exchange bureau. We do not have an adjustment bureau in connection with it. It did not seem necessary for us to organize an adjustment bureau—we could not do it. We do not want anything passed that will make it impossible for us to establish an exchange bureau.

Mr. Bartlette—I withdraw my amendment.

Mr. Carpenter—I consent to the withdrawal of the amendment.

Resolution number three was then adopted as presented by the committee.

Secretary Tregoe then read the fourth of the committee's resolutions, which was adopted by unanimous affirmative vote.

The secretary then read resolution No. 5 as follows:

Resolved, That national interchange between Credit Exchange Bureaus be promoted and every opportunity given to the development of a reasonable and economic plan for effecting this interchange."

C. B. Cranston, Columbus—Is it the intention of this resolution to establish a National Bureau of Interchange?

H. A. Beckers—Not at least for the present. The national interchange is affected through the co-operation and formation of zones. The special committee appointed at the last convention at Boston, met at Niagara Falls and formulated zones covering those sections of the country that had mutual interests, and the interchange between those zones was effected during the year, but, of course, not

in a way to prohibit one bureau from acting interchangeably through another bureau outside of its own zone. That could be effected between the bureaus.

Motion made, seconded and unanimously carried adopting the resolution.

Secretary Tregoe—The special resolution offered by Mr. McQueeney and seconded by Mr. Munroe of St. Louis, is as follows:

"Resolved, That the adoption of the assembling system as well as the use of uniform blanks be recommended to all associations having credit exchange bureaus or that contemplate the establishment of the same."

Unanimously adopted.

Report of committee unanimously adopted.

President Salisbury—We shall now listen to an address on "Friendly Adjustments," by B. K. Knapp, Portland, Oregon.

Friendly Adjustments

ADDRESS BY B. K. KNAPP, PORTLAND, OREGON.

When, as president of the Portland Association of Credit Men, I first received the letter from our good secretary, Mr. Tregoe, conferring upon Portland the honor of furnishing a speaker to address this convention upon the subject of "*Friendly Adjustment of Involved Estates*," I thought a mistake had been made by the stenographer and that we had received the letter intended for Philadelphia; for it would seem most natural to look to Philadelphia, the "City of Friends" for a speaker on "*Friendly Adjustments*," instead of to the extreme west, where every man is popularly supposed to be a little lop-sided from constantly carrying a gun, with which to his own adjusting. (Laughter.)

But after conferring with my cabinet—the chairmen of the various standing committees—and by the way they are a bunch of splendid able men, none of whom has had to wait seventeen years to get into a cabinet either—we finally decided that no mistake had been made, for on looking into the matter we found that the West appeared to be more friendly than the East to the system of adjusting amicably involved estates, for there are more adjustment bureaus connected with out Association west of the Mississippi river than east of it.

At the outset of my talk I wish to state that the whole matter rests upon two fundamental premises or propositions:

First: Involved estates and their necessary adjustment in some manner, form a condition that is, always was, and always is to be, co-existent with commerce and trade.

Second: The adjustment in some manner of an involved estate is necessarily a matter of law—either statutory law, or common law, and the common law, in its simplest terms, is merely common sense.

As to the first premise, there is no argument whatever, for no one will deny that business failures form a constant problem, one that will always be with us in some degree.

As to the second proposition, no one can successfully contend that the adjustment of involved estates is not a matter of law, for man is a gregarious being, continually subject to law in some form or other, and any adjustment or settlement involving a number of men must necessarily be conducted according to some well defined law, rule, regulation or custom.

Therefore, there appears to be no argument whatever in this question, except as to the *best manner* of proceeding with the adjustment of an involved estate. Whether it shall be conducted according to statutory law, in the bankruptcy court, with all of the "law's delays," and the tedious and expensive unwinding of red tape and the consequent attenuation of dividends, or according to the common law, or in other words the law of common sense.

Let us then consider some of the reasons for and against the friendly adjustment of involved estates, as opposed to the court of bankruptcy method.

There are three reasons of major importance why the friendly method is best: First, it is quicker; second, it is cheaper; and third, the dividends accruing to the creditors are very much larger.

The federal bankruptcy law and nearly all of the state laws concerning bankruptcy and assignments, provide that claims may be filed and proven for one year after the adjudication of bankruptcy. While it is the theory of the federal bankruptcy law that it shall provide an adequate and speedy method of settling the debtor's involved estate, yet it is impossible to close up the matter finally and definitely in less than a year and it sometimes takes several years. The attitude of the court is entirely impersonal; the observance of the law is its first concern, and it makes little difference to the various officers whether the affair is finished quickly or not.

The friendly adjustment is much cheaper. In these days of striving for low costs the cheaper method of two, which are equally effective is much to be preferred. And in the adjustment of an involved estate the creditors pay all the cost themselves. The debtor can not pay it of course. It must be paid, therefore, it is paid by the creditors. In many bankruptcy cases involving assets of a total net cash value of two or three hundred dollars the assets are entirely consumed by the expenses of administration. The multiplicity of fees and commissions in many cases is enormous. The average cost to creditors on dividends recovered in bankruptcy proceedings throughout the United States, so far as I have been able to learn from many sources of information is 14.2 per cent., a heavier charge than the ordinary collection agency makes. On the other hand the average cost to creditors on dividends obtained in friendly adjustments (and in the preparation of this address I wrote to every adjustment bureau in the United States operating in conjunction with the National Association of Credit Men) is 7 per cent., less than half the cost in bankruptcy; and in the adjustment bureau with which I am connected in Portland, the commission charged on dividends to our members in friendly adjustments is two per cent. and to non-members four per cent.

Now as to the dividends I realize that different conditions obtaining in widely separated parts of the country make a difference in the amount of dividends recovered. Also the varying conditions under which business failures occur cause the dividends to range all the way from one to one hundred per cent. No particular case and no particular city can, therefore, properly be taken for a criterion. But in searching for data on this subject I asked for information from forty-nine adjustment bureaus in every part of the United States, and this information covers a period of from two to eight years. I have also had before me the annual report of the Adjustment Bureau Committee of the National Association, rendered June 1st, 1912, and an analysis of it shows that it agrees exactly with the figures I obtained independently. From all these figures

I learned that the average dividend paid in bankruptcy proceedings, embracing the whole United States, is 22.6, while the average dividend recovered in friendly adjustments in the same period and territory is 54.3 per cent.

So you see that from the broadest and fairest viewpoint the friendly adjustment costs less than half as much as the court method and yields more than twice the returns. I have known of friendly adjustments being entirely consummated and closed in the space of a month or two, and in one small case I have in mind it was done in six days. No such result is possible in bankruptcy. In the friendly adjustment the debtor is more quickly restored to his *status quo*. He is soon restored to his place as a value producing factor in the community, and he more quickly becomes an asset instead of a liability to his commonwealth. The available money is more quickly restored to the creditors to whom it belongs and they are able to turn it again and again while they would be waiting for it in bankruptcy proceedings. And the more quickly such a matter is settled the less danger there is of the assets being diminished through the vicissitudes of time and fortune attending upon great delays.

Of course, there are two sides to every question. I have presented but one side, but I now wish to present the other side just to show how little it amounts to.

There are three objections raised to the friendly adjustment. It is said that it provides no automatic discharge of the debtor from his obligations; and that there is danger of a claim being overlooked or not filed until after the settlement is made and the proceeds distributed. Also that fraud can be discovered and punished to greater advantage in bankruptcy proceedings.

The last objection is the only one having any merit whatever. It is true that if there is fraud in the failure the proper place for the settlement of the matter is in the United States bankruptcy court, for Uncle Sam is a good ally of the credit man in his relentless war against commercial fraud. But how many business failures are really fraudulent? Very few indeed. Often we hear the careless credit grantor cry Fraud! Fraud! But those most experienced in the adjustment of business failures know that only a very low number compared with the aggregate are really fraudulent. And when fraud is really present every one will concede that the bankruptcy court is the place to adjust the matter.

As to the other objections, the friendly adjustment does afford a discharge of the debtor, which may be more complete than any afforded by the court. For when the failure is an honest one there is no reason why the debtor should not be fully discharged if he asks for it. And in all well-conducted bureaus when the debtor asks for a complete discharge, and the creditors agree that he would be entitled to it under the law, they all sign an agreement to give him a complete release; and this release can be made to discharge him from such debts as the law cannot cancel.

Then, it very very rarely happens that a claim is overlooked or is not filed in time to participate in the distribution. I have known of a few instances; and in every one it was scarcely any trouble to get the other creditors to repay enough to make up the dividend to the dilatory creditor. In fact, experience shows that a fund maintained by a levy of say one-twentieth to one-tenth of one per cent. of all dividends paid by a bureau will cover all such cases.

It is therefore apparent that the objections to friendly adjustments are so unimportant that they only serve to magnify the importance of

the friendly method. Indeed, the tendency of the times is toward that very end. There was a time when debtors were imprisoned. We have made great progress since that time. May we not correctly infer that we will make greater progress in the future. Some states have already established what are called "Lawyerless Courts." We have wireless telegraph, horseless carriages, smokeless powder and girlless telephones; why not lawyerless courts? This is so true and is such simple common sense that you have to laugh at the very simplicity of it; but it is already a fact. (Applause.)

The friendly adjustment, administered and conducted by commercial men, versed in commercial law and trained and experienced in their work, is as far superior to the cumbersome, slow and expensive court procedure, as the rest of our twentieth century methods and appliances are superior to those of the time of Nero. (Great Applause.)

President Salisbury—The next in order is the reading of the report of the Legislative Committee. This report will be read, in the absence of the committee chairman, H. E. Smith, by E. S. Boteler, of New York.

Mr. Boteler then read the report of the committee.

Report of Legislative Committee

To the Officers and Members of the National Association of Credit Men.

Your Legislative Committee has had an unusual year and presents a report which well indicates the progress of our educative efforts in sound commercial legislation and the advance we are making for the better protection of the interests alike of debtor and creditor.

Our inheritance from the "Mother Country," the "Common Law," was not a commercial code and its defense of personal freedom tended to embarrassment and frequently to insurmountable difficulties in the prosecution of fraud as related to commerce.

The difficult procedure under the common law or related statutory law led with injurious frequency to the abandonment of effort to prosecute fraud, the main difficulty being that the burden of proof was entirely upon the complainant. That commercial fraud has persistently gone on despite the development of sound business ethics is in a large measure due to the difficulties of effectual prosecution, and since its inception the National Association of Credit Men has endeavored to create a demand for and place upon the statute books of the states simple commercial legislation which would tend more directly to the prevention and correction of commercial fraud and to the wise defense of the credit machinery.

Your committee suggests that in future efforts for commercial legislation there be observed great discrimination in preparing and recommending commercial acts for our work would be retarded and its influence injured were our efforts directed to what is not clearly necessary and the acts we recommend were not simple and impartially protective.

The Bulk Sales Act is one of the very best demonstrations of the work we are trying to do in commercial legislation. Its value has been proved frequently, and your committee is pleased to report that during the current year such a statute has been enacted in Arkansas, Illinois, Missouri, Ohio and South Dakota, there remaining but one state without the statute—Kansas.

We cannot express too highly our appreciation and congratulations for the work done by our co-workers in the legislative work of Illinois, Ohio and Missouri, by our legislative representative in Arkansas and the

Memphis committee which assisted him and by representatives from Minneapolis, St. Paul and Omaha, who assisted the business men of Sioux Falls and Aberdeen in enacting the South Dakota bulk sales statute.

No effort was better planned or more faithfully carried through than that of the Wichita association to enact the Bulk Sales Law in Kansas. Opposition, however, was insurmountable and the act failed.

There were passed either substitute or amendatory Bulk Sales Acts in the following states: Louisiana, North Dakota, Washington, Oregon and Wisconsin. It has been found that a bulk sales act modelled upon



H. E. SMITH

Henry Sonneborn & Co., Baltimore, Md.
Chairman, Legislative Committee

the Michigan statute in which the transfer of goods contrary to the terms of the statute is conclusive rather than presumptive evidence of fraud, and the goods illegally transferred a trust in the hands of the vendee for the benefit of the vendor's creditors, is more protective than some of the older statutes. This is what led to the substitute or amendatory Bulk Sales Acts passed in the states reported. We recommend that efforts be continued to amend the older statutes to conform with the Michigan statute.

The Wyoming Bulk Sales Law was unfavorably amended without the knowledge of your committee.

The False Statement Act has not been put to any severe test as yet, but it was drawn with so great care that your committee has no doubt its necessity will be recognized by the courts, and efforts should be continued for its uniform adoption in all the states. The fear is sometimes entertained that this statute will operate against the giving of financial statements, but your committee believes that this fear is not well founded and that it is of the greatest importance that the seeker of credit should respect the statement he voluntarily tenders or furnishes upon request. As the correctness of such statement is guarded and required by the False Statement Act there is developed a character of information and support to credit of undoubted value.

We added during the year to the list of states which previously enacted the False Statement Law, the following: Indiana, Louisiana, Delaware, Maine, Utah, Vermont, Pennsylvania and California.

The enactment of this law must be acknowledged as the result of thoroughly unselfish effort on the part of our legislative representatives. In two states, Delaware and Maine, the work was directly done by individual members.

We cannot neglect an expression of appreciation for the work of our legislative representatives in those states where the act failed of passage. In each case the failure was due to the complexion of the legislature or to political conditions which did not allow sufficient time to give the act due consideration. This was especially the case in Montana, Minnesota, Nebraska, Idaho, North Carolina, South Carolina, Iowa, Oklahoma, Texas, West Virginia and New Hampshire.

The Bad Check Law was passed in Indiana and Utah; the Fake Advertising Law in Connecticut and Utah, and the law regulating collection agencies in Utah; a Fire Marshal's Bill in Indiana and Georgia.

In addition there were passed in Oregon, Utah and Minnesota statutes of local significance and value which were offered and promoted by our legislative representatives and associations in those states.

Our Tennessee associations acted entirely upon the defense and did not offer any constructive legislation. This position upon their part saved Tennessee from several statutes which would have seriously injured the business interests of the state.

Your committee is satisfied that a list of seventeen states where our standard acts were this year passed, all as a result of the most unselfish and energetic work upon the part of our local associations and individual members, makes a record calling for genuine pride in the Association. Your committee could take individual instances where time and effort were devoted to the promotion of this work at great personal cost; it is not necessary, however, to relate individual instances. The work speaks for itself and no one contributing to the result but will have an inward satisfaction in having taken part in erecting new bulwarks to commerce and throwing stronger defenses around credits.

We feel it incumbent upon us to mention that the Utah association in having passed seven acts embracing four of our standard statutes is to be especially commended, yet the spirit exhibited by the Utah association was apparent in almost every state whether success or failure attended the effort.

We can not be too hopeful of the future in the protection which legislation is to give credits if there continues to be demonstrated that loyalty to sound business and the protective work of the National Association of Credit Men which was so apparent this year. It is our sincere

hope that the Association's work will continue on that high plane such that the loyalty of its members may be always expected.

Your committee has noted with concern that in several states there was an attitude of hostility to commercial legislation of any character. Inasmuch as the welfare of the nation is bound up in its commercial progress such attitude is directly against the public welfare and every effort should be directed to its correction. We presume a change of attitude can best be secured through commercial education, and it is incumbent upon the National Association of Credit Men to demand the education of our youth in sound commercial principles so that the generations to come may not be misguided or be found lacking in a proper appreciation of what will assure the nation's progress.

Your committee begs to offer the following resolutions:

I

"Resolved, That the thanks and congratulations of the National Association of Credit Men be tendered to all its legislative representatives and the members of its local associations who with much unselfish devotion contributed to the legislative achievements of the year and that there be included in this thought those who gave of their time and effort and the same degree of unselfishness and yet failed of success.

II

"Resolved: That unanimity of action be urged and fostered for commercial legislation among the members in those states where there are two or more local associations, and that wherever feasible there be organized in such states a joint legislative committee for the direct purpose of proposing and promoting the passage of our standard commercial acts.

III

"Resolved, That there be considered by the officers and directors of the National Association some plan that may be effectual in bringing about the education of our youth in the importance and needs of commerce so that hostility to sound commercial legislation may be gradually eliminated.

IV

"Resolved, That the legislative work of the National Association of Credit Men be pushed earnestly in the future as in the past and that the incoming Legislative Committee continue to recommend the passage of the Association's standard acts, keeping in mind the advantage of their uniform adoption, so far as is possible, throughout the states.

Respectfully submitted,

H. E. SMITH, *Chairman.*"

Mr. Boteler—I move the adoption of the resolutions presented by the committee. Seconded.

President Salisbury—The opening of the discussion of this report will be by Arthur Parsons, of Salt Lake City, and B. G. Watson, of Columbus.

Max Silberberg, Cincinnati—I wish to say that Ohio has placed upon her statute books at last a fake advertising law. I therefore move to insert the word "Ohio" after the word "Connecticut." (Applause.)

President Salisbury—The committee will be glad to do that.

Arthur Parsons—So much has already been said in appreciation of the labors of the Legislative Committee of the last year, as also of those

who have labored so assiduously in the local associations, that I am almost at a loss to know what I can say by way of opening this discussion.

The report presented to us is a magnificent and wonderful one when we consider the amount of work that has been accomplished in the various local organizations throughout the United States. I am sure that much of our success has come from the fact of the popularity and prestige of our National Association.

In our own state we were successful in obtaining the passage of seven measures. We got our measures prepared early in the season, and as soon as we could obtain a roster of the two houses comprising the local legislature, we presented our bills to each member individually, together with a letter recommending that each consider these measures and have them referred to their proper committees. We found a number of friends quite willing to help us by introducing the bills which were referred to the proper committees.

Then we took up our labors with the committees and succeeded in convincing them that we were laboring in connection with the National Association of Credit Men. We appealed to their pride and to their patriotism that Utah should not be left behind so far as sound business measures were concerned; but that she should stand with the rest of the states which were seeking good commercial legislation.

At the same time being intimately acquainted with the governor of the state, our committee informed him of the bills that would be introduced, giving him full information regarding them; and he asked us for a list of them and assured us that if they passed the two houses they would receive executive sanction. And so we succeeded, by virtue of the prestige and influence of the National Association and the little influence which we as a local association had attained, in getting our measures through with comparatively small trouble.

It is true that this year we had no great questions coming up in our legislation, such as questions of prohibition, redistribution or anything of that kind, which in former years had overshadowed everything and cast commercial legislation to one side; but we feel very proud that we were able to join the other states which have been so successful in procuring commercial legislation.

We sympathize with Kansas in being the only state that has not a bulk sales law, but we feel satisfied that they will have it sooner or later. Our bulk sales law is one that we all feel very proud of, yet we find that it is still an imperfect law. Already some creditors of doubtful reputation are undertaking to sell out their stock at twenty-five or thirty cents on the dollar, and comply with the law by giving notice to their creditors; and it is a difficult matter to know just how to handle such cases. It is a new difficulty arising out of a new situation which we shall have to meet later on. If we may take success that has attended our efforts during the past year in obtaining commercial legislation as an earnest of what is to come, there is no knowing how much we may accomplish, if we keep up persistently the efforts we are making. (Great applause.)

President Salisbury—I will call on B. G. Watson, of Columbus.

Mr. Watson—I have read with a great deal of pleasure and interest, the report of the Legislative Committee of this Association, and I want to congratulate the chairman and each member of the committee on the most excellent results which have been obtained throughout the United States

during the past year. The report is clear, concise and full and the recommendations of the committee and the resolutions offered, merit adoption. In my opinion, the legislative work of this Association is the most essential branch of the Association's activities.

The record which has been made is best attested by the fact that we now have a Bulk Sales Act in every state, except Kansas. I should like to move to make it unanimous next year, and know that every effort will be forthcoming in order that we may do so.

I want to emphasize for just a moment, two features of the report. I heartily approve of the co-operative work of the various associations within each state through the medium of a legislative board, so that only the most important measures may be offered, and when offered, that they may have the unanimous support of the entire membership of the associations, individual and local, within the state. I would suggest that it should be the sense of this convention, that in the future, measures should in every instance be submitted to the National association for its approval before they are undertaken by the board or branches in the various states. In this way a more uniform and important class of legislation will be undertaken, and it will be supported with a much greater earnestness and effectiveness.

I also want to emphasize that part of the report wherein the committee suggests "that in future efforts for commercial legislation there be observed great discrimination in preparing and recommending commercial acts, for our work would be retarded and its influence injured, were our efforts directed to what is not clearly necessary and the acts we recommend were not simple and impartially protective." I believe that not more than one measure should be introduced and recommended in one state at any one time, and that that measure should be the most important measure for the general good of the business interests within that state, and that when that one measure is adopted, it should have united and earnest support. Possible substantial results should not be jeopardized either by a divided force or a dissipation of efforts on minor measures.

The wonderful achievement of the Association in establishing the bulk sales act in every state in the Union, except one, makes it highly important that this convention outline and discuss the next most important legislative enactment for credit grantors, and that when that is determined, the efforts of the National Association be centered upon the passage of that one measure until the same results have been achieved as in the case of the bulk sales act. In considering the various types of legislation which have been undertaken and supported in the various sections of the country, I am led to the conclusion that the most crying need of the credit man at this time, is the establishment in every state, of a "Court of Commerce," wherein commercial accounts may be liquidated and process obtained without the usual delay of ordinary court proceedings in ordinary litigated matters. The average book account is provable to the satisfaction of any intelligent judge within a very short time. If it is to be sustained in six months, it can as well be done within as many days, and such laws should be formulated and established as would enable a creditor to obtain a hearing and judgment upon his commercial accounts speedily, and without the possibility of technical delays. I recommend to this convention that it interest itself at once in an effort to obtain a "Court of Commerce," to handle matters other than usual litigation questions, in every state in the Union, as being the most crying need of commerce and credit men to-day. (Great applause.)

President Salisbury—You have before you the resolutions of the committee. We shall consider all the resolutions offered by the committee, if there is no objection.

Secretary Tregoe then read the resolutions as presented above.

Motion made and seconded to adopt the resolutions.

F. R. Hamburger, Detroit—I want to present an observation as a member of our local legislative committee. For the past six or seven years I have had charge of the state legislation in Michigan, and in reference to the bulk sales law I find that it is defective in one important particular, and I hope that the incoming committee of the National Association will consider the matter.

The Michigan law requires the prospective buyer to notify the creditors five or six days before the consummation of the sale, at the same time giving the creditors an inventory of the stock and the amount to be paid therefor. The buyer is required to do the same thing. Assuming that both the buyer and seller complied with the provisions of the bulk sales law, the seller sells his stock and the buyer buys it, and passes over the purchase price to the seller. Now, I have an account within sixty days of due date; or I have some paper of the seller. Under the Michigan law I am unable to enforce the payment of my claim upon either the buyer or seller, because the law has been complied with; and before my account is due the seller of the stock dissipates the amount of the purchase price, and I am left without a remedy. That is the operation of the bulk sales law where the law is complied with, so far as the provisions of the Michigan law are concerned. I believe the new legislative committee should consider this defect in the law, so that there may be some legal proceeding to prevent the seller from getting possession of the money until all the accounts have been paid. (Great applause.)

Report unanimously adopted.

President Salisbury—We shall now listen to an address by R. P. Messiter, of New York, "In Memoriam."

In Memoriam

ADDRESS BY R. P. MESSITER, NEW YORK, N. Y.

Rip Van Winkle returning to his native village unrecognized and forgotten, mournfully exclaims, "How soon we are forgotten when we are gone."

We are, as credit men, naturally; and perhaps necessarily practical, matter-of-fact men, in whose life as connected with our daily work, sentiment plays a very small part, but the officers of the Association in arranging the program for the convention have done a proper thing, I think, in devoting a few minutes to recognizing and recording our appreciation of the services of men who have been actively interested in our work, but have passed away during the past year. Some of these men I have not known personally, and feel myself not competent to do full justice to their character and value to our Association. I can but mention their names:

Richard Hanlon of St. Louis, vice-president in 1903 and 1904. No one of you who chanced to be a delegate to the earlier conventions can forget him. The charming vein of native wit and humor that he possessed, made him one of the most popular speakers that we ever had. No matter how dry the subject under discussion, when he rose to speak, a wave of delightful anticipation passed over the convention.

Finley Acker of Philadelphia, a member of the executive committee of that association and a delegate to the annual conventions for a number of years.

W. S. Campbell of Detroit, whose services and usefulness to the association in that city had been recognized by his election to the office of secretary for the sixteen years since its organization.

Thomas J. McGuire of New York, a delegate for a number of years. A man of high character and deservedly greatly respected by his associates.

Thomas H. Bartindale, president of the New York association in 1899, a delegate to the conventions for many years, and widely known at that time as the credit man for the great shoe house of Morse and Rogers.

There are doubtless others who have died during the year, men who have been active in local or national work, whose names would be mentioned, had I been aware of them.

I leave to the last, Michael E. Bannin, because of his prominence in the early years of our organization, and also because of my intimate personal relations with him. I am conscious of a mingled sense of sadness and pleasure in speaking of him. There is the natural feeling of sorrow when I dwell on the loss of my warm personal friend, but there is also a gratification in the opportunity to pay a tribute to the noble character and useful life of this man. I had known him for many years but became more intimate with him when the New York association was formed. We were together on the executive committee for a number of years. I was his colleague as a delegate to nearly every annual convention, up to the last one in Boston, which he was unable to attend on account of illness. We were in the same line of business, his office was just across the street from mine; we were members of the same club and accustomed to meet nearly every day, so that I think I am qualified to speak from personal knowledge of the sterling qualities of his character. If I should try to select one word which would best typify this man, that word would be "sincerity." He had many admirable qualities—a high standard of honor; strong convictions based on sound judgment; faithfulness in the discharge of all duties whether imposed or assumed; a warm-hearted genial disposition that endeared him to all who knew him; but the dominating trait was sincerity.

I remember when Theodore Roosevelt was governor of the state of New York, a committee from the New York Credit Men's Association went to Albany to urge the governor to sign a bill amending the Criminal Code in the matter of giving false statements—Mr. Bannin was a member of the committee. After the hearing was over, Mr. Roosevelt said to one of the committee in his usual emphatic way, "What a splendid fellow that man Bannin is." There was evidently a deep impression made on Mr. Roosevelt's mind, for after he became president, he appointed Mr. Bannin on the Indian Commission. His personality was attractive. His youthful looking face, crowned with snow white hair, made him a conspicuous figure at our conventions. He had a keen interest in the Credit Men's Association—as the first president of the New York association and as vice-president of the National Association in 1896-97, he was recognized as one of the leading spirits among credit men. As years went by and younger men came in to take up the work, his interest did not wane. He had always a strong faith in the growth and development of this Association, and in the widening beneficial influence which it would continue to exert in the coming years. The name

of Bannin deserves and will hold a conspicuous place in the "Credit Men's Hall of Fame."

Recalling the names of some of those active in the early years of the New York association: Bannin, Biggs, Boocock, Bartindale, Birmingham, Bogardus (a swarm of busy bees), and others whose names do not begin with B, remembering their efforts and personal sacrifices, we are now realizing what a solid foundation they laid for the remarkable growth and prosperity of the Association. Those men who were leaders and pioneers in the work of improvement in business customs and usages of trade, who gave their thought and time to planning for better protection to creditors, are fast dropping out of the ranks.

Of the six names I mentioned; four, Bannin, Boocock, Bartindale and Bogardus have passed away.

What I have said of Mr. Bannin might be said largely and truthfully of the other men who have died during the year. It is fitting and proper, that we should publicly express our appreciation of their useful services, believing that in so doing there may be an inspiration to those who succeed them. (Great applause.)

President Salisbury—We are glad thus to make public recognition of the qualities of the active members who have departed.

We shall next have an address "Promotion of Co-operation Through Association Meetings," by Mr. Daniel Ashworth, of Pittsburgh, Pa.

Promotion of Co-Operation through Association Meetings

ADDRESS BY DANIEL ASHWORTH, PITTSBURGH, PA.

It is but a few days ago since I sat upon Cemetery Ridge and for the fifth time surveyed that magnificent field of contest. As I sat there I looked to the north and it seemed to me I could see the veterans of Virginia under Buell and Early coming down from the north to form their columns in conjunction. This is what makes success, the conjunction of forces, the co-operation that brings about the results. Over here towards the southwest where the great Thomas at Nashville in the deadly winter, marshaled his forces; and from the rising sun to the setting thereof—every detail was carried out—How—by splendid co-operation.

This city of the West, "in her bright garments drest, on the banks of this beautiful river," has welcomed you to-day in fitting and in magnificent terms.

I have a warm heart for this locality. For twelve years the happiest days of my life was spent across this river among the people of old Kentucky. I fraternize with my brethren in this great Queen City, and to-day I feel honored and privileged to look into the faces of my co-laborers in this field of the advancement of civilized commerce.

The records of the past from time immemorial have given us the great stars of the bright galaxy as the result of practical co-operation. The eagles of Napoleon carried their conquest at Jena and at Austerlitz; but without co-operation, without that linking of the forces on the fateful field of Waterloo, the sun went down upon Napoleon—for lack of proper co-operation.

We from the confluence of the Allegheny and the Monongahela, that gave birth to this mighty tributary the Ohio, come to you to-day to tell you how by our co-operation in our local associations we have sown

broadcast throughout Western Pennsylvania the merits, the prestige, the honor and the power of this organization.

It has been said that when Cicero would address the people of Rome they would come down the Campagna and on the Appian Way and stand in the forum in all their eager expectancy. When Demosthenes rolled out his measured sentences at the Acropolis, the people of Athens in all their eagerness and intellectual capacity, came to the front to hear the magnificent measures of their Grecian orator. They tell us that when Webster and Clay would address the assembled senate, the people of the



W. A. PETZOLD
J. L. Hudson Co., Detroit, Mich.
Director

District of Columbia would run through the streets and eagerly come to drink inspiration from the lips of these sages of the past.

So in our city of Pittsburgh we have brought out in our local association those features which we bring to you for your commendation, I believe. Every Thursday at noon we have our lunch at our leading hotel, the credit men's lunch. Its fame is not confined to the precincts of our great city. It is known far and wide and for miles to other counties. They come in at the Thursday noonday lunch to hear the addresses and

the discussion of these questions that are so interesting to the people that are progressing in the high type of civilized commercialism.

We have had a galaxy of speakers from those who occupy the highest seats in the councils of our nation, our judiciary, our legislators—our municipal officers have addressed us upon educational, financial, physical and commercial questions—all that goes to make a healthy body of people in the avenues of life.

The warrior claims his results by splendid co-operation. "Peace hath her victories no less renowned than war." This organization to-day, through its peaceful pursuits in its national and local associations, is bringing forth that which when leavened and matured to its perfection, will give to the world the story of a great step in American progress. (Applause.)

We have had the present Secretary of State; we have had the judges of our highest tribunals; we have had the governor of our commonwealth, who but a short time ago affixed his signature to the false statement act, making it a law in the great commonwealth of Pennsylvania. We send our splendid committees to Harrisburg and they support our legislators in that which we feel and know to be to the best interests of the public at large in our great state; and they talk and persuade and influence those whose minds might work in other channels which are inimical to the best interests of commercial enterprises; and so by their active work as splendid committees, they have achieved results immeasurable which will be looked upon in the time to come as glorious achievement.

I am an engineer by profession, and that brings this comparison to my mind. See this magnificent steam engine in all its splendor; see its piston rod move and its crank turn; see that graceful fly-wheel, as it performs its evolutions under the master hand of the engineer. That is the splendid conception of concentration to bring about a result. But there is another feature to be added to that engine. Why, there is a lack of completion; there is a governor to be placed upon that engine to prevent it from racing, to prevent it from fluctuating in its actions. We in the association of credit men at Pittsburgh have just such a magnificent governor in Mr. Enoch Rauh, whom we have honored five times by electing and re-electing him to the position he holds. He holds the reins; he warms the heart; he cheers them all; he is as constant as the North Star in whose true fixed and lasting qualities there stands no fellow in the firmament. There are other stars; but among them all there is but one of unshaken light and spirit. So we have this man and his splendid committees, and we do this great work.

Do you wonder why I should be interested in this subject, lacking as I do commercial incentive? I will tell you why. I became enamored of the splendid intellectual feasts given every Thursday at noon at that magnificent temple in our city. At times there are four or five hundred people present and the doors have to be closed. We have an average of two hundred men who sit down at the tables every Thursday, not alone to feast the inner man, but to feast the intellectual being. And better than all else, every one interested in our purposes from the north of the Allegheny to the south of the Monongahela applauds the work of the Pittsburgh credit men.

Do you all likewise, and give your local associations the prestige they deserve, so that the name of this Association may become a household word. Remember the committees work splendidly. The great

captain may wield his power diplomatically and powerfully; but it is for each member to do his part. Ever so little, ever so little, combined goes to build up the great fabric of light; and I want to tell you, my brethren, that success will crown your efforts when your heart is in your work, and you give music, to the soul of poetic thought. We have had the divines there, we have listened to the ladies on the suffrage and anti-suffrage question at our noon day meals; and every one has gone away filled with great expectancy of the week to come. As I go up the great white way of Liberty Avenue, I see them coming from every direction, all crowding to the temple to feast intellectually at the Credit Men's Association lunch at Pittsburgh.

Do not fail to consider then that your duty is co-operation. It is as old as time immemorial; it will last until generations yet unborn shall pass from the stage; but the perfection in co-operation is for each one to do his part however little it may be.

CONSEQUENCES.

A traveler on a dusty road
Strewed acorns on the lea,
One took root and sprouted up
And grew into a tree.
Love sought its shade at eventide,
To pledge its early vows;
Old age was pleased at heat of noon
To bask beneath its boughs.
The dormouse loved its dangling twigs,
The birds sweet music bore;
It grew a blessing in its place,
A glory evermore.

A little spring had lost its way
Among the grass and fern.
A passing stranger scooped a well
Where weary men might turn.
He walled it in, and hung with care
A ladle at its brink;
He deemed not of the deed he did,
But thought that men might drink.
When lo, a pause; that well in Summer never dried,
Has cooled ten thousand parched tongues,
And saved a life besides.

A dreamer dropped a rambling thought,
'Twas old, and yet 'twas new.
A simple fancy of the brain,
But strong in being true.
It shone upon a genial mind,
And lo, its light became
A lamp of life, a beacon ray,
A monitory flame.
The thought was small, the issue great,
A watch fire on a hill.
It shed its radiance down the vale,
And cheers the valley still.

A nameless man amidst the throng
That crowds the daily mart,
Let fall a word of hope and love,
Unstudied, from the heart:
A whisper to the multitude,
A transitory breath;
It raised a Brother from the dust
And saved a soul from death.
Oh, germ; Oh, fount;
Oh, words at random cast,
Ye were but little at the first,
But mighty at the last.

(Great applause.)

My brethren, I invoke you to go back to your local association and try to excel this organization of the smoky iron and steel city, built up upon a solid foundation; give honor and uprightness and integrity to your laws. There never was an age in which the masses were doing more thinking for themselves than they are to-day. The great hullabaloo of a political ferment no longer agitates the people as it did some years ago. No threats or melancholy forebodings move them in their path. Why? Because in such bodies as ours we are doing our own thinking—as in kindred bodies; and they are paving the way for the highest type of manhood in the American Republic, far surpassing the dreams of theorists or the great auguries of a gloomy poet.

I have faith in the great republic; I have faith in the common people; I have faith in the work of these men and these people that are going through this progressive spirit of elevating man and woman to a higher plane for their duties in republican institutions. Let us be true to these things; and for all ages yet to come we shall hold sovereign sway and masterdom. (Applause.)

A recess was here taken until 9.30 o'clock A. M., Wednesday, June 18th, 1913.

SECOND DAY

Wednesday, June 18, 1913

MORNING SESSION

President Salisbury called the morning session of the second day to order at 9.30 o'clock A. M.

In the absence of the Rev. Hugo G. Eisenlohr, of St. John's Protestant Church, Cincinnati, invocation was offered by Secretary Tregoe.

President Salisbury then called upon A. C. Carpenter, Chairman, for the report of the Business Literature Committee.

Report of the Business Literature Committee

To the Officers and Members of the National Association of Credit Men.

The development of the Association, its increasing strength and influence, is in no way better indicated than in the development of its literature. And this is because credit men are awakening to the fact that they have an important message. They are recognizing, as they did not formerly, that theirs is not merely routine work but is intricately involved with the whole structure of commerce and therefore involves principles which must be generally known, must be talked about, and treated by many so that light may be shed upon these principles from many varying experiences.

So it is natural that the literature of such an organization as this should be expansive, should grow more and more thoughtful, pointing no less than it did in the earlier days to methods of handling more efficiently and precisely the routine of credit work, but more especially to the bigger part the credit men of the nation ought to play and are more and more playing in making business cleaner and commerce sounder.

It ought to be a point of insistence, therefore, that the Association's organ, that through which the Association talks to its members and that through which the members talk to each other, shall serve to stimulate to finer effort every member of the Association, to the end that the tone of business in every part of the country shall be improved, for credit grantors have it in their power as no others have to insist that business be done on the basis of a high sense of honor. We make no apology in saying that the BULLETIN, without departing one step from the practical, must stand for ideals, because ideals based on reason and experience are essential to sound business practices. A thought akin to this we urge upon the Publicity or Business Literature Committees of our affiliated associations. That which they issue must, of course, be characterized by greater brevity than the publications of the National Association, but this fact will not prevent the issuing of the best, and the officers of local associations need to use a sense of discrimination in nothing so much as in the appointment of the chairmen and members of their publicity committees.

It should always be a point with the National officers to urge local association officers to give special encouragement to their members to contribute of their experience and conclusions in written form, for writing leads to preciser thinking and to a wholesome examination of ourselves and our work and the relation of both to others and their work. There is an immense amount of valuable experience which our members are acquiring going to waste, or at least the conclusions to be drawn from this experience are making for but a minute fraction of the pos-

sible results, simply because through the written word these conclusions are not being passed along to others. Men are doubting the value of certain methods, hesitating to enter upon new courses or systems which have been worked out satisfactorily by others with consequent saving of money and worry; it would be better for all that all adopted them, and yet simply because the pains and trouble have not been taken to sketch the courses or systems and their workings, but a small fraction of the results which should be obtained under them is being enjoyed. It is, therefore, for the Business Literature Committee of the National Association and its officers to encourage our members to make of themselves a society, so to speak, of writers, of those who spring to the task of working out their experience to conclusions and recording it as clearly and forcefully as possible for the good of our profession.

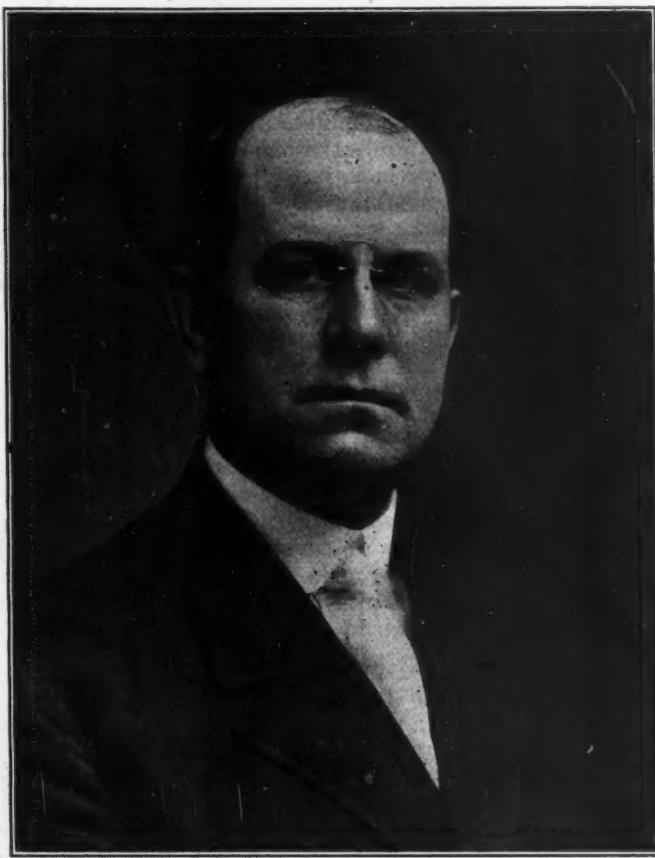
In this connection let it be said that the members of the Association who have not availed themselves of the bound, indexed BULLETINS as issued by the National Association at the end of each year are missing the opportunity of getting a general idea of the Association's work and of comparing the experience of various members of the Association made possible by the thorough-going index, under which are grouped the different articles and branches of work in such manner as to make comparison easy. Your committee has no hesitation in saying that the man who is put in a position of responsibility in local association work who is without these indexed, bound BULLETINS is undertaking to meet the obligations of his office without having one of its necessary tools. The committee insists that the bound, indexed BULLETIN is essential to every local association officer.

With the issue of the BULLETIN in which advertising appeared, namely, that of February, the BULLETIN took on more of the appearance of a magazine by adopting a new cover design which has received general approval. During the year, 217,050 copies of the BULLETIN were distributed. This figure shows an increase over the previous year of 20,710 copies, and over the year 1910-11 of 43,350 copies. So numerous have the notes usually appearing on the first pages of the BULLETIN become that it was recently decided to group them under heads, as, for instance, "Coast to Coast," being for the most part personal notes; "Notes on Fire Waste and Fire Insurance"; notes on "Subjects of Interest to the Younger Credit Man"; notes on "Local Association Activities," etc. This change has brought many expressions of approval. The personal touch from the National office given the BULLETIN through the "Central Chat" pages written by Secretary Tregoe has attracted general attention and tends to keep before the members those primal objects for which the Association has from the beginning been striving.

It is somewhat difficult at times to keep a proper balance in the BULLETIN between that which is intended to inform and instruct on principles and methods and that which treats of Association activities, because the latter are now so many and varied that much space must be given them, especially during the season of high pressure. With ten or twelve committees and eighty-nine local associations to do justice to, the BULLETIN during certain months can scarcely fill any function other than being a place of record.

Your committee is able to report the extension of the monthly letter plan among the affiliated branches. At the suggestion of the committee of last year, several associations have been distributing to their members the monthly letters of the National office. There is no doubt that these monthly letters have had more to do than anything else in holding

individual members firmly to the Association and giving it an unusually small percentage of resignations as compared with other organizations. And, again, there is no reason to doubt that the same or a locally prepared letter sent out with absolute regularity on a certain day each month will prove even more of a factor in local association work. The more the members are reminded of the Association and are made to see that it is earnestly trying to serve them, the more loyally will they continue their support. So we repeat that the monthly letter to members over an officer's signature is essential to a compact, permanent organization.



A. C. CARPENTER
Gulf Bag Co., New Orleans, La.
Chairman, Business Literature Committee and Director

We believe it will be clear to one who will examine, that our best newspapers are giving more space in the last few years to business topics, recognizing that business men look to the newspapers for business suggestions. This is illustrated by the large amount of space given to several special leaflets issued during the year by the various committees of the Association, given on the request of a large New York daily. These articles were copied and appeared in newspapers printed in many parts of the country. This is splendid educational work and

we commend to local associations the desirability of getting their activities talked of in the newspapers. Some local associations arrange for this form of publicity systematically, but more neglect it. The newspapers of the eighty-nine cities where we now have local branches should be made to recognize that an association of our numbers and influence is entitled to liberal space, that our work looks to the betterment of commercial conditions in their communities and that, therefore, it is to their interest to give it publicity.

The Business Literature Committee has always felt that the extension of the weekly luncheon system among our local associations fell to it and it is a satisfaction to report that this luncheon plan is being adopted more widely each year, always, we believe, with excellent results. As the secretary of the Portland association says, there is nothing which means so much as these luncheons in keeping an association together and its members alert to do their best work both in their offices and for the association. The danger of making these gatherings too elaborate or too prolonged is always present and this tendency officers must always resist if the luncheon is to be made permanently attractive to the younger men. Some of the associations, feeling that it is essential to have a program of some sort for these weekly meetings, have had difficulty in mapping out subjects for a long series of meetings. The committee received the suggestion too late to act upon that it prepare a leaflet presenting subjects appropriate for discussion at credit grantors' luncheons. The task of preparing such a leaflet is urged upon the incoming committee. We lay special emphasis upon this subject, because no association has taken up earnestly the luncheon plan without receiving a stimulus. There is complete accord in this and so the Business Literature Committee urges with all its power that the plan of weekly meetings be adopted universally throughout the Association.

Recognizing that through brief leaflets, each devoted to a single subject, attention can be best focused, the Association has during the past year sent out three series of envelope leaflets, each of which has had and should continue to have wide distribution.

We refer to the Credit Topics Leaflet series, under which the following subjects have been treated:

1. "The Strain Imposed by the Abuse of Sales Terms."
2. "The Proper Calculation of Profits by the Retailer."
3. "The Influence on Your Credit Standing of Promptness in Handling Correspondence."

The Banking and Currency Leaflets, under which the following subjects have been treated:

1. "Why the Existing Banking and Monetary System of the United States Retards Commerce and Is a Menace to Every Business Man."
2. "What Must Be Provided by New Legislation If Our Banking and Currency System Is To Be Made Adequate and Safe."

The Adjustment Bureau Leaflet entitled "Friendly Adjustments."

We do not know how the Association could better work for cleaner, healthier, more efficient business methods than through such leaflets. They serve to educate not only those who buy from our members but our members themselves, and there are few among us whose business methods have so reached toward perfection that there is no need of an inward look now and then.

The committee has watched with the deepest interest the courses in credit granting and management conducted last year in many parts of the country. Though the extension of this work has been placed under a new committee, the Business Literature Committee feels that this work runs close to its own, because both have the highest education in credits in view, and the committee entertains the hope that out of these classes will come briefs or treatises which can be published in book form to cover the information that younger credit students require better than anything else now available. It is recommended that the incoming committee watch out to take advantage of the opportunity in this line offered by these courses in credits. The universities, which are now almost universally adopting courses in business administration, recognize the place that credit granting has in them and will gladly welcome text-books based upon practical field experience.

That the Association's annual, the Diary, meets a real need is indicated by growing demand therefor each year. Two thousand three hundred and thirty copies of the Diary of 1913 were sold and two or three hundred orders could not be filled. Thus far it has been possible each year to introduce into the Diary distinct improvements over the previous year, the main improvement for 1913 being a summary of foreign corporation laws of the various states.

Finally, the subject with which our Association deals is of vital interest to every concern. If we cannot make this clear it is our own fault. Every man handling credits needs the helpful influence and suggestions of others; he needs to have his work supplemented by others, and that is precisely what the National Association of Credit Men facilitates. We should aim to bring it about that every concern shall feel the need of just the supplementation of others which the Association affords, and our publications, and particularly the BULLETIN, must become, and with the generous help of all may become, the vital, indispensable, supplemental agency of every concern in the country; we need not add whose business rests on sound credit, for that is the basis of every concern's welfare.

In conclusion, we offer for your consideration the following:

I

Resolved, That the National Association of Credit Men, in convention, emphasizes with all its force the importance of a publicity or business literature committee in every local association, who, working in conjunction with the local officers, shall issue with absolute regularity every month a letter to their members over the signature of the principal officer of the association as well as of the chairman or members of the business literature committee and shall take care that the local newspapers give liberal space to outlines of the Association's work.

II

Resolved, That the business literature committee do all in its power to stimulate the members to practise the art of writing of the experiences which have proved valuable to them and of the conclusions which they have reached on matters relating to credit granting, in order that these experiences and conclusions among our members may be better compared and sound principles of action more generally and firmly established.

III

Resolved, That it is the sense of this convention that the wider distribution of the bound, indexed BULLETINS of each year among the

officers of local associations be earnestly sought in order that every man responsible for leadership in his local work may have the grouping of suggestions and subjects which is in no way so well afforded as by the yearly indexed BULLETIN.

IV

"Resolved, That this convention, recognizing how credit grantors' interests are interlocked and that it is essential to bring them together on the easiest social terms, not only endorses but urges the extension of the weekly noonday luncheon plan in every local association center as the happiest and most effective means to that end, and further lays upon the incoming Business Literature Committee the duty of preparing before the fall term begins a leaflet containing 'Suggestions for Credit Men's Meetings.'

V

"Resolved, That this convention expresses its sincere belief in the educational leaflet system such as has been so well begun during the past year and gives its approval to the suggestions of this committee that this leaflet system be extended with a view to including finally the whole scope of credit men's interests.

VI

"Resolved, That the committee give its attention to the development of credit courses with a possible view to gathering from them material which will help in the preparation of text-books for the young credit grantor."

Respectfully submitted,

PAUL P. REESE,
J. D. HOLMES,
WILLIAM E. PITTS,
J. B. ELLIS,
A. C. CARPENTER, *Chairman.*

Mr. Carpenter then moved the adoption of the committee's resolutions, his motion being seconded by F. C. Wasserman, of Portland, Ore.

President Salisbury—E. L. Adams, of Atlanta, will lead in the discussion of this report in the absence of Mr. Choate.

Mr. Adams—Owing to unavoidable circumstances Mr. Choate has been kept away from this meeting, and with your permission and at his request I will undertake to stand in his stead.

If I am able to comprehend what constitutes the one great pivot around which the operations of this Association revolves, the one great central idea or thought that dominates its activities and gives it power, I should say that it is wrapped up in the duties of this Business Literature Committee. Its work is educational; and while the work of other committees is important and in some respects educational along particular lines, I can conceive of no broader field for accomplishment than is before your Committee on Business Literature. That our individual inefficiency is due in great measure to our lack of knowledge regarding up-to-date methods and the recognized ethics of our calling, needs no argument; and there is no better way of acquainting our members with the best thought of the times than through the activities of this committee.

I have given this report considerable study and regard it as an able document, and one worthy of unanimous adoption. The recommendations are ably summed up in the resolutions embodied in the report,

and I desire to call attention especially to one or two of these recommendations. The first is a recommendation embodied in the last two lines of Section 1, reading as follows:

"And shall take care that the local newspapers give liberal space to outlines of the Association's work."

As is stated in the body of the report, our newspapers all over the country are giving an ever-increasing amount of space to the business matters of the land, realizing that upon the progress made by business interests largely depends their own prosperity; and I am sure that if the proper authorities of our local organizations would give representatives of our local press the opportunity they would be glad to co-operate and give the publicity desired.

This, as I see it, would be a twofold good. It would enlighten the public as to our aims and purposes, and through a process of molding public opinion, make the things which are thought worthy more easy of accomplishment. It would also serve to advertise our Association and make the securing of new members easier by making us popular in the eyes of those we seek as members.

In two of the large dailies of my home city, several pages in each Sunday edition are devoted to the interests of manufacturers, jobbers and their salesmen, and the editors are always glad to get stories relating to the business of individual firms or the activities of business organizations. I think it is due these papers to name them. I refer to the *Atlanta Constitution* and the *Atlanta Journal*.

Sections 2 and 3 of the resolutions are important, but as I am specially interested in the section which refers to the weekly noonday luncheon, I will refer particularly to that. We have this plan in effect in our local organization and find it an important method of arousing great enthusiasm.

Aside from discussion of the actual work of the Association at these luncheons, we usually arrange for a fifteen or twenty minutes' talk from some prominent attorney, judge, minister or layman, on some subject in line with our work. These addresses are usually entertaining as well as instructive, and furnish a very welcome and profitable diversion at little or no loss of time. I am sure that if the organizations which have not tried the plan will do so, they will keep it up.

I am strongly in favor of the adoption of the report and hope all the provisions of the proposed resolutions will be put into practice. (Applause.)

President Salisbury—I am beginning to realize how hard it is to keep the discussion in the time allotted; but the program is so heavy that we shall have to place the limit of time at three minutes, and see that it is observed. No criticism can be made of the leaders of discussion thus far, but I trust that those who are to follow will see to it that our rule is observed. It must be if we are to finish the work in the time allotted.

I will call upon M. L. O'rear, Kansas City, to continue the discussion.

Mr. O'rear—I feel sure by this time that you have carefully studied the report of this committee and that the words of Mr. Adams have impressed you with its full significance, and its important bearing upon the growth and development of our Association. I trust that the committee's sentiments will find practical expression in the local association work during the coming year. That our literature is the life blood of our Association there can be no question, and it should always be our aim to keep it pure, clean and wholesome, and so to perfect its circula-

tion that every tissue, not only of our Association body but the business world at large, shall be quickened by its invigorating influences. To accomplish this our Business Literature Committee should represent the best material in our associations, and the measure of this committee's success great or small will ever be the extent to which it has stimulated interest in the welfare and work of the Association. Increased interest will beget increased enthusiasm. Increased enthusiasm will assure increased membership, and increased membership means increased strength and influence.

Our attention should, therefore, be first devoted to keeping the blood pure, that the body may be healthy. This depends on three things: first, the quality of the committee, second, its size, and third, its devotion to the work. The suggestion of the committee that discrimination should be used in selecting the members, that the best and most helpful material may be obtained, is worthy of our hearty endorsement. I believe, further, that it should not only be the most carefully selected committee, but one of the largest in the Association, because it is second to none in importance and usefulness. Every member of it should be regarded as a contributing editor and his literary talent fostered and encouraged. The written word is crystalized thought. Get your members to writing and you will get them to thinking. High standards in our literature requires serious and careful thought on all subjects with which we treat, and when the credit man gives of the best there is in him it must be good, because character is the keynote of success in his vocation. There are enough good journalists in this Association to stir into action every latent force in the commerce of this broad land, if their pens are set to working, and we should not leave too much of this work for our talented and broad-shouldered secretary and his lieutenants.

Again, it is a fundamental fact in physical science that good circulation is necessary to the best health. Our publications may be ever so meritorious yet we cannot expect them to be influential unless they reach the business public. Every local association can lend valuable assistance to the National office in this distribution. It is granted, of course, that every progressive credit man is interested in the study of those subjects which will advance his professional knowledge, yet there are thousands of credit dispensers throughout the land who are not members and who consequently do not enjoy or have access to the educational work of this Association. In the carrying forward of this work of distribution every local association should have a mailing list of prospects for use both by them and by the National office. We should carry our educational campaign into the office of every reputable business institution in this land where credits are granted, or where our efforts may be helpful in bringing about an enlightened and educated public opinion. The business institutions of this land will open their pocketbooks to us when once educated to the objects, purposes and accomplishments of this Association. We have not even sent in our card to 75 per cent. of the managers and credit managers of this country to say nothing of an audience with them. It is plain to see what fine results in the way of membership growth would immediately follow publicity work of this nature.

As I understand, the fund being derived from advertising in the BULLETIN is being used in the accumulation of a prosecution fund. In my opinion this fund should be raised in some other manner, and that the BULLETIN should be entitled to its own returns. Every issue of this publication doubtless leaves unprinted a wealth of good material which we should get the benefit of, and I believe it would be money well spent

to double its size. Furthermore, the National office can do excellent work in adopting a systematic follow-up system on all of its publications to see that they reach the business public and that the local associations are doing their part towards this distribution.

Resolution 2 in the committee's report would encourage the practice of writing of those experiences which have proved valuable to the members and of those conclusions which they have reached on matters relating to credit granting. This resolution should have your especial endorsement, and I would go a step further in recommending the assignment also by the secretaries, both National and local, of subjects for written articles. As suggested by the report, writing leads to preciser thinking and to an analysis of our own ideas, which is in itself educational. This custom serves the twofold purpose of increasing the interest of the contributor and of passing on to the reader his more sober and thoughtful reflections.

Much consideration has been given in the last year or so by a number of our universities and colleges to the establishment of departments on business administration. This is a movement which should be caught up by our Association and furthered to the fullest. The National office can do good work in the collection of data relating to such departments and in disseminating it through its literature, in order that the movement may be given wider publicity and that the number of schools having such departments may increase. In looking to the education of the youth of our land, the future captains of commerce and industry, we are only building more solidly the foundation upon which the structure of our organization rests.

We should not lose sight of the immense benefits which have come indirectly (if not directly) to each of us through the check which publicity has given to fraud and malpractices in business. The National office has kept the red lantern burning constantly to warn us of danger ahead, and if we have not profited thereby we have failed to derive the fullest protection which is afforded us through their publications.

These are old truths in new clothes, perhaps, but if we can succeed in impressing anew the supreme importance of the Association literature, the necessity for purity in same, and the extension of its circulation, not only within our own ranks but beyond, we shall have accomplished our purpose, and it is hoped that your thought along these lines has been quickened to some extent, and that some of the principles recommended will be applied in the daily administration of your local affairs. If this is done, you will find your efforts immediately reflected in an increased enthusiasm, a membership growth, and in the widening of your strength and influence.

I trust a lively discussion will evidence a very vital interest upon your part in this subject. (Great applause.)

President Salisbury—The resolutions as offered are now before you.

C. E. Vandel, Kansas City—Before we take a vote on these resolutions I would like to present a seventh resolution. You find that the National Association, through its Business Literature Committee, has made the granting of credits a science. All other subjects which are a science have some manner of text-book from which to teach this science; I think that the National Association could do nothing better than to compile a book suitable for credit instruction. These Y. M. C. A. courses being established throughout the country are in dire need of such a text-book. When Kansas City established its course last year,

we looked around for some time before we could decide on a suitable book for this kind of instruction. There is a number of excellent addresses on this subject, but none of them is in adequate form for this kind of work. I therefore offer the following resolution:

"Resolved, That it be recommended that the president appoint a special committee for the purpose of compiling a text-book on credits for the use of young credit grantors and for those schools having classes on credits or courses on business administration, and that the same be issued under the supervision of the secretary of the National Association."

I move the adoption of the resolution.

Seconded.

President Salisbury—The six resolutions offered by the committee and the one offered by Mr. Vandel are before you all together.

The discussion has been only had so far through those designated by the National office. It is not meant that discussion should be restricted in any manner.

H. Morris Teaf, Philadelphia—While Philadelphia has not been as successful as other associations in getting the numbers out to the weekly noonday luncheon, yet what we have lacked in numbers we have made up in enthusiasm. We have found that to make these luncheons successful, it was necessary to issue tickets in series. We have had three series of five luncheons this spring. The tickets indicate the particular day on which they must be used; and if he does not use them the subscriber forfeits his money. The cash that is left over the treasurer of our noonday luncheon club accumulates with the result that we have accumulated enough this year to take our men out to a testimonial dinner.

We have also found that through the noonday luncheon clubs our members not only benefit socially but financially. Several members have had very large orders sent to their houses, simply because they were members of the club.

The resolutions offered by the committee together with that offered as resolution seven by Mr. Vandel, were then unanimously adopted.

President Salisbury—The next order of business is an address by a gentleman we all know so well that it is not necessary to introduce him, a man whom we regard highly, and who has given us so much that the obligations we are under can never be repaid. Mr. William A. Prendergast, Comptroller of the City of New York, will now address us on "Tendencies in Municipal Credits." (Great and long-continued applause and expressions of enthusiasm.)

Tendencies in Municipal Credit

ADDRESS BY THE HON. WILLIAM A. PRENDERGAST, COMPTROLLER OF THE CITY OF NEW YORK.

Mr. President and Gentlemen of the Convention:

Before commencing my formal address I want to thank you very cordially for your hearty reception. It is indeed a great gratification to one who was only too glad to serve the Association, either officially or in the ranks in the olden days, to find that when he comes to the convention a good many years after his official usefulness has been over, that you are still willing to greet him so cordially; and when I say this, I think

I am uttering the sentiment that rises in the heart of every one of the old members, when he comes here and finds himself so pleasantly greeted. (Applause.)

One of the greatest political problems of the times is the government of cities. During the past fifty years there has been such an influx of population to the cities, that some of them have become larger in population and in interests than old established states and nations. Upon the progress of municipal government the best thought of the world is concentrating, and this is essential if cities are to meet the tremendous demands upon their governmental activities.

The development of the city has been accompanied by a demand for a character of public service that is entirely different from the unpaternalistic policy which formerly dominated our governmental affairs. The city is now expected to render a type of social service, which in times past belonged almost entirely to private initiative through humanitarian institutions. While the vigor of these privately conducted institutions has not abated, the municipality itself is now expected to take the first place in rendering social services to its people.

In addition to this the public demand seems to be directed toward the establishment of all known systems or methods for promoting the convenience and comfort of the people, such as better rapid transit; almost unconsciously the cities have been assuming these burdens, which in many instances have become very pronounced in a financial sense, seemingly oblivious to the great strain that their assumption would assuredly create upon the credit of the world.

The National Association of Credit Men and other trade organizations have been performing a most commendable work for nearly a generation, in educating the individual with respect to his observance of proper credit conditions, and in indicating reasonable credit limitations; but while this great work of education has been proceeding with the individual, and he has been the beneficiary of it, and the business community has also been benefited thereby, we seem to have lost sight of the fact that neither nations nor states can afford to infringe upon their credit limitations any more than can the individual; so while we have been attempting to guide the individual in the proper credit path, the cities have been pursuing their way seemingly without regard for those fundamental principles of credit which infallibly dominate all transactions, be they of a public or a private character.

During the past ten or fifteen years there has been a practical revolution in the methods of governing cities. The institution of the commission form of government, which now obtains in some 250 cities, representing a total population of 5,000,000 of people, has been the most significant manifestation of municipal unrest. The commission form found its inception in the desire of the people to institute a more efficient form of government—one that would conserve their financial availabilities and at the same time promote to the greatest possible extent the welfare of the people; but while this change, undoubtedly salutary in itself and one which I am sure will yield good results, has indicated an awakening upon the part of the people toward their municipal responsibility, it seems neither to have been instigated by nor to have touched the very vital question of the credit of the municipalities.

We learn from the last United States census, that of "158 cities, 126 increased and 32 decreased their gross debt during 1908. The

increase was \$212,304,626, and was equivalent to 10 per cent. of the outstanding debt. The increase in the sinking-fund assets during the year was \$26,426,770, and was equal to 6.76 per cent. of the total value of this fund. In 1908, the sinking fund constituted 21.2 per cent. of the funded debt, while in 1906 it constituted 22.6 per cent. This decrease can probably be explained by the increasing use of serial loans for which no sinking fund is necessary. Either the sinking fund is more common in the larger cities than in the smaller ones, or the requirement for its maintenance more rigidly lived up to, for the proportion between sinking fund and funded debt varied from 12.76 per cent. for the smallest cities under review to 23.54 per cent. for the largest cities."

"The total payments of the 158 cities under review for outlays in 1908 was \$269,333,000. This is an increase over like expenditure in 1902 of 110.3 per cent. In 1902 66 per cent. of these payments were from revenue, while in 1908 only 49.2 per cent. came from revenue. While the per capita payments for these purposes in 1905 was \$8.29, in 1908 it was \$11.32. Over this period the increase for cities with population of 300,000 and over was \$2.79, while for those with population of from 100,000 to 300,000 it was \$4.53. The excess of receipts over payments on account of debt is greater than the total payments for outlays for 18 cities of the 158, and amounts to \$27,167,916, *i. e.*, this money was borrowed for revenue purposes. On the other hand, for all the cities, the total payments for outlays is greater than the excess of receipts over payments on account of debt by \$62,600,000, which means that this money was furnished from revenue."

We have now reached the time when those in charge of municipal affairs, and I trust the people themselves, are aware that credit limitations are being unduly strained, and the realization of this fact is accompanied too often by charges of extravagance lodged against public officials. The people in the mass do not seem to understand that the great expenditures which have been incurred by many cities, I might say, in a relative sense, by all cities, have not been incurred surreptitiously, but in the full light of day. The press and public have known exactly what has been going on, but the difficulty is that these expenditures have in nearly every case simply reflected the willing response of the appropriating authorities to the demands of the people themselves. No matter where the blame should be placed, our problem now is to correct conditions.

Former Mayor McClellan, in an article published in the *Atlantic Monthly* of April, 1911, after he had been out of office for more than a year, said that the extravagant tendencies of the American city are "due to causes far more subtle and far more complicated than corrupt officials, dishonest bosses or rotten political machines; that they are due largely to the fact that of those voters who control the spending authority, only about 4 per cent. are the taxpayers who provide the bulk of the city's income."

The great City of New York is most often cited as the principal example in the matter of extravagant expenditures but if accurate records were obtainable, I am certain it would be found that every large city in this country has been offending against itself in just the same way that New York has.

Even in the face of restricted credit we find that some of our most important cities, in order to perform properly their municipal functions, have to undertake very great expenditures. For instance, a

constitutional amendment adopted recently in the state of Missouri authorizes the City of St. Louis to issue \$30,000,000 for subway bonds. The City of Kansas City is also authorized to incur very considerable expenditures providing the people in 1914 approve of this constitutional amendment. We learn from the public press and from other sources that the City of Philadelphia also needs millions for parkways, river front improvements, subways, street paving, and the like.

When we are searching for the reasons that have operated to curtail municipal credit, we ought not to content ourselves with resting the case upon the charge of extravagance, no matter how fully that charge may be justified. We know that the heedlessness with which municipalities have rushed into debt has been very often due to the fact that the people have not been properly informed in regard to the existing financial situation. For instance, municipal bookkeeping has not been maintained upon the high or fully efficient standards that have prevailed in private business, and it is only within the last few years that any material improvements have taken place in this important branch of municipal work. To what an extent poor business methods have existed and are responsible for inefficient administration, even in a community like the State of Massachusetts, which has always enjoyed a high reputation for public administration, is shown by "the report of a committee of the Massachusetts Legislature appointed in 1912 to make a study of the general subject of municipal finance and to bring forward recommendations for improvement in the financial methods of Massachusetts cities and towns." The committee has made a voluminous and careful report in which every branch of the subject is thoroughly examined. Some of the recommendations are of more than local interest and significance. The committee recommends that the statutory limit which has been imposed upon municipal tax rates of Massachusetts for a long time, be removed in the case of all cities and towns except Boston. It is pointed out that this statutory limitation has not in general served the interest of economy but that on the whole it has merely impelled municipalities to raise money by loans for expenditures which should properly be defrayed out of annual taxes. The report recommends that henceforth the annual budget in all cities of the state should be prepared by the mayor in consultation with the heads of the various city departments. It is proposed that "city councils shall have the right to reduce any item in this budget, but in no case to insert new appropriations or to make increases." This has for a long time been the law in New York and is the arrangement now existing in Boston by virtue of the charter amendments of 1909. It is further urged that the policy of borrowing by long-term bonds and of providing sinking funds to meet these bonds at maturity be abolished in all Massachusetts cities and towns. The committee strongly recommends that only serial bonds be issued in the future. In support of its recommendations attention is called to the fact that a great many cities in Massachusetts have large deficiencies in their sinking fund accounts, these funds having frequently been used for current purposes. Attention is also drawn to the fact that some cities which have received trust funds by gift or bequest with the understanding that the money should be held for the benefit of the city poor or for some other designated purpose, have used up these funds for everyday expenses. The committee recommends that these funds be immediately restored by appropriations in the annual budgets of the next few years and

that henceforth trust funds be deposited only in savings banks or invested in securities which are legal investments for savings banks. The report contains in all thirty-two specific recommendations and is accompanied by drafts of legislation necessary to carry these recommendations into effect. The whole constitutes a very valuable contribution to the general subject of municipal finance.

It is not necessary to refer by name to cities affected by the same indefensible methods that are charged against the Massachusetts municipalities. It would be within the facts to assert that there is hardly a city in the country that has not been so affected and it is just as safe an assertion that had better methods obtained there would have been a closer watch upon the conduct of municipal affairs, because much of the extravagance of which cities have been guilty has been due to the fact that the people really have not known whether they were tending, and how could they know, if the facts of their affairs were not intelligently collated and placed before them?

Many of our municipal difficulties have been due to the fact that there has been too much interference on the part of the legislatures with the principle of Home Rule. But it is also true that if the legislatures, instead of interfering with Home Rule in matters of political exigency and preference, had exercised their powers to enforce upon all municipalities proper laws and rules for the method and conduct of their bookkeeping, such action upon the part of the legislatures would not only have been wise, but salutary. The states of Ohio and Indiana have taken advanced ground upon this question and through legislation have imposed upon the cities a material improvement in their methods of bookkeeping.

These references to the causes that have operated against healthy municipal credit, while brief in their narration, suffice, I believe, to show the case in a complete sense. It is necessary, however, that we should have an understanding of the real credit situation as shown by the attitude of the investing market toward municipal enterprises. For the last few years, thoughtful and watchful men have been advising municipal governments to restrain their spending propensities and be prepared for the time when the money market must refuse to absorb the ever-increasing output of municipal securities. Notwithstanding these warnings, cities have continued in their spendthrift habits until within the last few months they have been brought to a striking realization of their own ineptitude in not appreciating and following that advice.

The last six months have been marked by the failure of a larger number of municipal bond offerings than has ever characterized the history of international finance. Cities have journeyed in the same old self-conscious way with their offerings to the money market, only to find that the supply of credit was, if not exhausted, at least so curtailed as not to be available for their purposes. I know it is maintained by some that the competition of other and better-paying securities has had as much to do with the decline in municipal credit as the extravagance of administration, or to express it in another way, the tendency to luxury and good living is driving the public to abandon the highest class of investments in favor of a lower, but comparatively safe class, which returns a larger income. These reasons, however, do not change the true aspect of the case. They merely show that the extravagance of cities has been accompanied by a great volume of personal extravagance, and this has necessitated the quest for high-

paying securities without reference to the intrinsic value of the securities that is always regarded as the primal consideration with conservative investors.

The securities of our leading cities have always been regarded as among the most desirable class of investments, but the practical truth of the views which I have just quoted, is emphasized by the fact that the leading national securities have suffered marked decline. For instance, during the years 1908 to 1912 the German Imperial Loan, 3 per cent., declined 8 points; Prussian Consols, 3 per cent., declined $7\frac{3}{4}$ points; French Perpetual Rente, 3 per cent., declined 6.75 points; Austrian Gold Rente, 4 per cent., declined 6.45 points; the Dutch Loan, $2\frac{1}{2}$ per cent., declined $9\frac{7}{8}$ points; British Consols, $2\frac{1}{2}$ per cent., declined $9\frac{1}{16}$ points; New York City $4\frac{1}{2}$ per cent., declined $15\frac{5}{8}$ points. And all this during a period which has been one of good credit, although characterized by manifestations of economic and social unrest, such as the world has rarely experienced.

On May 20th of this year the City of New York held its fourth annual bond sale. The offering was \$45,000,000, bearing an interest rate of $4\frac{1}{2}$ per cent. In view of the unfavorable reception accorded to the securities of many prosperous cities during the last few months, this proposed sale was regarded with considerable apprehension by some conservative bankers and doubts were expressed regarding its success. Under the law, New York City cannot sell its bonds below par, and all bids must be sealed and opened in public. The amount of bids received was \$76,000,000. Of this amount \$28,000,000 were bids at par, the balance slightly over par, so that all the bids accepted were over par, representing an average of 100.159. Consequently, the sale was heralded as a success, but in candor I should state that the sale was what might be called a qualified success. Just a year before the city had offered \$65,000,000 of bonds at $4\frac{1}{4}$ per cent. This offering was oversubscribed three times. The average price obtained was \$100.747 even on a lower rate of interest. Therefore, there cannot be a better evidence of the state of the money market than is shown by the latest New York City bond sale; less offerings, and lower prices, even in the face of a higher interest rate, constitute cumulative proof of the tendencies in municipal credit to which I have already adverted.

It is claimed that municipal sales would be more successful if the authorities adopted a direct method of disposing of securities. For instance, in criticism of the latest New York sale, one of our newspapers, editorially, denounced the present method of selling city bonds and claimed that the officials were even derelict in not going direct to the public and offering the bonds in the form that is commonly called "over the counter." It is also claimed that we depend too much upon the banking community and too little upon the patriotism and thrift of the people themselves. We are reminded that the people of France are the largest holders of French government securities and that the government does not have to depend upon bankers to dispose of its bonds. This is true, but we must understand that the people of France have been educated for many years in investing their savings in government securities, and added to this there is the lottery feature involved in French government offerings, which has an attractiveness to the people and which, I am sure, would not be lost upon other nations, except that the lottery idea is not regarded as representing a very high type of moral practice.

There is no reason whatever why our people should not be edu-

cated to an appreciation of the securities of their own cities and states and nation, and possibly we have been remiss in not having undertaken this before. The habits of a people, however, are generally pretty firmly established and the habit of most of our people has been to place their money in savings banks. They prefer to put their money where they can get it in case of need. Even a sixty or ninety-day notice of withdrawal, when applied by savings banks in times of financial stress, is a more satisfactory state of affairs for the average saver than simply to hold a piece of paper representing a certain sum of money, which he is compelled to convert into cash in case of need. It must be remembered that the conversion of this scrip into cash, if undertaken by the American investor, invariably has to be carried on through a broker at an expense to the seller, and furthermore, at times when money is sorely needed, securities are almost entirely unsalable or sales can only be effected at very great reductions and loss upon the original investment.

The last bond sale of the City of New York was advertised all over this country. Papers in the smaller cities were used, but there was nothing whatever to indicate by the bids offered that the sale had been popularized to any extent. Philadelphia had a recent so-called popular bond sale Mayor Blankenburg having disposed of the bonds "over the counter." The authorized offering was \$7,000,000 at four per cent. The newspapers contained very interesting stories of people who came to the sale carrying bills and coin which evidently had been lying in reserve in different receptacles such as old stockings, teapots, and others of the like, that are supposed to be the abiding places of hoarded cash, and an effort has been made to indicate that this popular sale was a very great success.

I do not want to deprive good Mayor Blankenburg of all the satisfaction and credit he can derive from the success of his "popular sale," but an analysis of the figures as they have been presented to me does not indicate any such widespread interest in this sale as the press agent implies. For instance, of the entire offering of \$7,000,000, \$4,150,000 was actually subscribed and paid for by 591 subscribers. The population of Philadelphia in 1910 was 1,549,008. There were subscribers for \$100 and upwards, but the Commissioners of the Sinking Fund of Philadelphia, one of the popular subscribers, bought \$1,225,000 worth of the bonds. The bidders also included twenty-five banks and trust companies, whose aggregate bid was \$1,015,000. It is reported that after the first day's experience, fearing the sale would not be a success, the good Mayor had to call upon the principal of the leading banking house to stir up interest in the sale, and one of the methods employed was to induce banks which held city deposits to subscribe for a portion of the bonds, a plea, which to their honor be it said, did not fall unheeded upon their patriotic ears; so that the total popular subscription of the entire amount of \$4,150,000 was only \$1,910,000.

The City of St. Paul has been lately referred to as a municipality that was breaking away from the old traditions of security selling, and appealing directly to its own people, but an analysis of the plan followed there proves that the method employed is hardly one which could be undertaken by any city having a very considerable offering of bonds to make. It appears from the description of this sale, which I obtained from the *St. Paul Pioneer Press*, that Mr. James J. Hill, to whom Minnesota and the nation at large owes a very great debt for the

wonderful genius and enterprise with which he has met both private and public responsibility, has undertaken to finance or promote St. Paul's bond sales. This has been accomplished by organizing a Board of Trustees which becomes responsible for the payment of the bonds which are to be sold "over the counter" by the Northwestern Trust Company, with the proviso that the Northwestern Trust Company will refund, upon demand, the amount of any purchase.

It is manifest that private capital could not imitate Mr. Hill's example and attempt to promote a considerable sale of bonds such as would have to be met by one of the larger cities of the country from time to time. So that this plan, while admirable, in itself, cannot be accepted as a remedy for existing difficulties.

It will be recalled that during Mr. Cleveland's administration he was bitterly attacked for selling United States securities directly to a banking syndicate, and so strong did the opposition to this action become that on the next occasion that the government had to borrow money in order to maintain its gold reserve, an attempt was made to have a so-called popular sale. Those, who by their agitation brought about this sale, have always maintained that it was a great success, but an examination of the results of the sale does not justify any such claim. For instance, the entire sale was for \$100,000,000 at four per cent. The total subscriptions received amounted to \$526,000,000. All the states and territories of this nation furnished 4,635 bids. Only 818 bids were finally accepted. \$62,321,150 went to individual bidders, the balance of the sale (\$37,000,000) was awarded to a syndicate organized by Messrs. J. P. Morgan & Company, who overbid the great mass of the subscribers.

Speaking of the difficulty of inducing the people to subscribe for bonds, Mr. Cleveland says, in his "Presidential Problems":

"that is was difficult for an ordinary person to make the rather confusing computation of premium and other factors necessary to a safe and intelligent bid. In a transaction of this sort, when the smallest fraction of a cent may determine the success of an offer, those accustomed to the niceties of financial calculations are apt to hold the field to the exclusion of many who, unaided, dare not trust themselves in the haze of such intricacies."

It is not my purpose to decry attempts to popularize our bond sales but I consider it necessary to show to what extent we are at the present time unprepared for such popular sales, or our people are disposed to support such popular sales in order that if our habits are ever to become the same as those of the French people, we must realize that there is a great educational work to be done.

Having now shown the tendencies of municipal credit, we should consider some means for strengthening and conserving it. Those who believe that the credit stringency of the last year or six months is nothing more than a periodic disability are, in my judgment, grossly deceiving themselves. The fact is that new countries are making such great demands upon the credit repository that there is not enough for general distribution. When that condition prevails it stands to reason that governments will be judged by the same rigorous rules of credit extension as have been applied to the individual. Cities that are not overloaned, that conduct their affairs in a businesslike way, that practice economy and not extravagance, will

receive the preference in the extension of credit, and those communities that adopt the contrary tactics will either have to pay a ruinously high price for money or go without it.

The people generally seem to think that a long term bond is their salvation, but they must now realize that the long term bonds cannot be turned out to the investing public as fast as they come from the hands of the lithographer, and that, further, the long term bond imposes its measure of immediate outlay and responsibility in just the same sense as a short term or serial bond would. Too many of our people believe that when their city undertakes great public improvements and issues long term bonds in order to defray the cost, they, the people, are throwing the burden of the outlay upon posterity. The present debt service of the City of New York, representing \$48,250,315.83 this year, is the unchallengeable answer to any such popular fallacy.

It is obvious that in order to preserve their credit, cities must from this time on practise economies. The passion of the people for unlimited public improvements must be held in check. Improvements should be limited to actual necessities and the attainment of idealities must wait upon a straitened purse. The propensity to buy real property for the city's account, for every conceivable purpose, must be fought vigorously. The familiar argument that unless the city buys now it will have to pay much more in the future must not be accepted. It has resulted time and time again in the city being encumbered with realty holdings it could not profitably use. Permit the city to buy on the principle of excess condemnation and thus benefit by its own action. Encourage the policy of the city paying as it goes. This will obviate the issuance of long term bonds, and be a restraining influence upon the money spending appetite of a community. Instead of issuing long term bonds, let us endeavor to finance our public improvements by spending their cost over a number of annual tax levies so as not to be an undue burden. This would be a cheaper method than issuing fifty-year bonds, and the necessity of paying an annual levy would bring the nature and effect of the expense home to taxpayers with, I believe, a resultant tendency to economy. (Long continued applause.)

Mr. Prendergast, continuing—I think it might not be uninteresting to refer to an article contained in the last *Cincinnati Inquirer*, which is as follows:

"WRANGLE OVER A BID FOR BONDS WHICH IT MAY TAKE A COURT AND JURY TO SETTLE.

It Was Only One Received and City Is Ready To Sell—May Raise Rate.

Court proceedings may be necessary to decide whether a bid was submitted for the \$660,000 park bond issue. Secretary Hodgkinson, of the Board of Park Commissioners and Assistant City Solicitor Weinig say there was, while Gordon L. Reis, representing Seasongood & Mayer, says there was not. This was the remains of the \$750,000 issue authorized by a vote of the people, the other portion having been taken up by the Sinking Fund Trustees at 4 per cent. The \$660,000 is to pay 4½ per cent.

Mr. Reis, for Seasongood & Mayer, submitted his bid at five minutes before noon yesterday. Just after he handed it to City Auditor Wash-

burn, he learned that the city was soon to issue other bonds and decided to consult his office about them, first telling the city auditor not to open his bid for the park bonds. While he was at the telephone, however, noon arrived and the bid, which was the only one received, was opened. It proved satisfactory and was accepted just as Mr. Reis returned to the room and said his office had instructed him to take back the bid.

A heated discussion followed in which City Auditor Washburn, Secretary Hodgkinson and Mr. Reis took part. Mr. Reis was angered by the opening of his bid and said the city could not force his firm to accept the bonds after he had told the auditor not to open the bid. Attorney Weinig was then called in and agreed with the city officials.

Auditor Washburn then decided to leave the whole matter to City Solicitor Bettman to decide whether the case should be taken into court to compel the brokers to purchase the bonds. The amount of the Season-good & Mayer bid was not made public. No other bids were received.

The auditor refused to comment on the matter, saying he would wait for an opinion from the city solicitor.

City Auditor Washburn has discovered why local bankers and brokers have lost interest in Cincinnati bonds and why some of the recent issues have gone begging. In fact, the auditor has gone so far as to threaten to sell the bonds over the counter, unless the bidding for them is more general. Then the brokerage firm interested showed him where Clark County was paying $5\frac{1}{2}$ per cent.; Cuyahoga County, 5 per cent.; North Carolina, 5 per cent.; Atlanta, Ga., 5 per cent.; New York City, 5 per cent., and other places in proportion. It was only recently that Cincinnati raised its rate to $4\frac{1}{2}$ per cent., all big issues of the past few years being at 4 per cent.

Auditor Washburn was of the opinion for some time that there was an agreement between the local bankers and brokers not to buy the bonds offered by this city. Now he has decided to call them together for a conference at his office and discuss matters with them.

A conference of heads of city departments will also be called within a few days, so the auditor can learn just what bond issues are absolutely required by them in the near future. Council will probably be asked that future bond issues be for 5 instead of $4\frac{1}{2}$ per cent." (Tremendous applause.)

President Salisbury—G. E. Ellis has been substituted on the nominating committee in the place of C. H. Walker.

W. Q. Wales, Boston—We have just listened to a very valuable and instructive address by Mr. Prendergast, and I wish to offer the following resolution and move its adoption:

Resolved, That a vote of appreciation of this convention be extended to Mr. Prendergast for the address that he has given us, and that the Business Literature Committee be instructed to publish such number of copies for distribution as may seem best to it."

Seconded.

Secretary Tregoe—It has been moved and seconded that the Business Literature Committee issue as many copies of Mr. Prendergast's address as may be required, for liberal circulation, and also that a vote of thanks be extended to Mr. Prendergast.

Unanimously carried.

Secretary Tregoe—I want to ask the president and convention the privilege of doing one little thing; In order that the room's capacity may be properly filled and the crush at the door may be avoided here-

after, I would request the appointment of four ushers, and would suggest the names of Messrs. Lovejoy, of New Orleans; Hamburger, of Detroit; Welch, of St. Louis, and Brock of Philadelphia, to act as ushers for the sessions hereafter, to show the delegates, visitors and ladies to the vacant seats.

President Salisbury—The next order of business is the report of the Adjustment Bureau Committee, S. J. Whitlock, of Chicago, chairman. (Great applause.)

Report of the Adjustment Bureau Committee

To the Officers and Members of the National Association of Credit Men.

Your Adjustment Bureau Committee has during this year performed but one definite piece of work, that of calling into conference the Adjustment Bureau managers and members of local governing committees at Chicago on January 27th, 1913.

After a free and general discussion there was prepared, upon unanimous assent, the following communication to the Board of Directors of the National Association of Credit Men:—

"To the Board of Directors of the National Association of Credit Men:

"We, the Adjustment Bureau managers and members of the Adjustment Bureau Committees, in conference assembled, at Chicago on January 27, 1913, respectfully indicate our sincere belief that the Adjustment Bureau Department is an important department of the work of the National and Local Associations of Credit Men, and if fostered along proper lines will promote economy, efficiency and co-operation. We recognize that uniformity in operating Adjustment Bureaus is desirable, yet owing to circumstances mostly of a local nature our bureaus are not operated on uniform plans and there exists in the minds of those present at this conference diverging ideas as to the proper methods upon which Adjustment Bureaus can be operated. Under the circumstances and inasmuch as some bureaus have been organized for years we do not believe that it would be advisable immediately to adopt and enforce a uniform operating plan. We would not advise that the National Association of Credit Men recognize the collection of delinquent accounts as a national policy, though several of the Adjustment Bureaus are operating a department for this purpose along lines that have given no occasion for complaint. With this situation in view and desiring that the Adjustment Bureau Department be above criticism or reproach, we present for your consideration the following recommendations:

"First: That the Adjustment Bureaus may do a high and efficient class work, it is necessary that they be brought into co-ordination, that all channels be developed whereby they may co-operate with one another and it is desirable that the bureaus be so organized and operated that this co-operation and co-ordination may be effected.

"Second: We believe that practices contrary to the good order and proper conduct of Adjustment Bureaus can best be avoided through close supervision, and therefore suggest that each Adjustment Bureau, whether operated as a department of a local association or as a separate corporation, be under the direct supervision of the local association or associations which it serves or of which it is a department.

"Third: We recommend in addition to the general supervision suggested in the second recommendation that there be a direct super-

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vision of each individual adjustment case controlled and administered by the bureau, in other words, that for every adjustment case there be appointed a supervisory committee, at least two members of which shall be chosen from interested creditors, whose duty it shall be to see that the case is economically administered and the funds properly applied.

"Fourth: We confirm our belief that so far as it is possible there should be uniformity of operation in Adjustment Bureau work and that this uniformity will gradually be evolved through co-operation and supervision. Adjustment Bureau work is too extensive for the National Com-



S. J. WHITLOCK
Belding Bros. & Co., Chicago, Ills.
Chairman, Adjustment Bureau Committee and Director

mittee on Adjustment Bureaus to assume and carry forward unassisted and we therefore recommend that the country be geographically divided into seven zones following closely the geographical division arranged for the seven zones under the plan for the national exchange between Credit Bureaus, and that in each of the zones there be appointed by the National Committee and National Secretary-Treasurer with the approval of the National President, a committee not to exceed five whose functions it will be to supplement and extend the work of the National Committee

on Adjustment Bureaus, to co-operate with each of the Adjustment Bureaus and its local committee of supervision in the zone, to investigate complaints, to arbitrate disputes and to bring about a co-ordination of Adjustment Bureau work in each of the zones; these committees to be responsible to the National Board.

"Fifth: We believe it is desirable that every local association should operate an Adjustment Bureau upon plans that can be approved of by its zone committee, the National Committee on Adjustment Bureaus and the Advisory Committee of the Board of Directors on Adjustment Bureaus. The zone committee should recommend the withdrawal of official recognition from any Adjustment Bureau that is not, in its judgment, properly operated, and no new bureau should be recognized until its plans have been approved by the zone committee, the National Committee and the Advisory Committee of the Board of Directors.

"Sixth: We recommend that each Adjustment Bureau, through its manager or supervising committee, file with the National office a report in duplicate of the plans upon which the bureau is operated, the character of work it is doing and its schedule of charges, the duplicate to be filed with the National Committee on Adjustment Bureaus.

"Seventh: We believe the best class of adjustment work can be accomplished only when there is perfect equality maintained between creditors, and we know that evil practices are fostered through the desire of one creditor to share better than another creditor, or when creditors insist upon net settlements. We recommend that the National office, through its literature, impress upon the members of the National Association of Credit Men and the commercial men of the country that equality means eventually the best results to all and that the insistence upon net settlements opens the door to fraud and abuse; and we also urge an appeal through the association literature for co-operation in friendly adjustments so that the disturbance of an adjustment by a small creditor may be avoided; also that the members of the association, through its literature, be asked to extend to the Adjustment Bureaus their moral and material support.

"Eighth: We respectfully recommend that because the Adjustment Bureau managers are the practical men of this department and are personally concerned in its proper conduct and good order the National Committee and the National Secretary-Treasurer, subject to the approval of the National President, appoint from the Adjustment Bureau managers a committee not to exceed five whose functions it will be to assist by suggestions in the preparation of literature bearing upon evil practices and good order in Adjustment Bureau work, to study the department and to tender recommendations to the National Committee and the National Board."

It is the sincere belief of your committee that every consistent and reasonable effort should be directed upon the local control of Adjustment Bureaus in order that there may be created among them a tendency to unanimity of operation, that efficiency may be promoted, dispatch obtained and the character of their work generally brought to the high standard such that each of the local Adjustment Bureaus may justly and properly demand the loyal support of all members and ask co-operation from credit grantors outside the Association.

As this high standard of operation, through efficiency, economy and dispatch, can only be obtained by keen and intelligent supervision and a

jealousy upon the part of each local association that its bureau be above reproach, we further suggest that fair and unprejudiced scrutiny be devoted to this department by all members, and wherever defects are surmised or definitely discovered they be reported promptly to the National Committee on Adjustment Bureaus or to the National office.

The need is increasing for the cultivation of "friendly adjustments," for in any court administration, no matter how prompt and economic the administration may be, the attitude of the court is impersonal, observance of the law is its first standard and the costs that attach must be taxed upon the creditors' property and become their final burden.

There is no reason why friendly adjustments should not be invariably practised and especially in the administration of small estates that are so often entirely wiped out by costs attaching to insolvency and bankruptcy administration. Our Adjustment Bureaus should have their machinery definitely and adequately arranged to undertake such adjustments and this character of administration should be their principal duty and concern.

We sincerely hope that the attention of our members and of credit grantors generally may be very persistently directed to this form of economic and systematic administration during the coming year through literature from the Publicity Department of the National office and such literature as each of the Adjustment Bureaus may be able to prepare and distribute.

We deplore the fact that there is so often found among collection agencies, commercial practitioners and creditors, a tendency to prevent and disturb friendly adjustments by declining to give them their co-operation, the evident purpose being to force a preference for the claim they represent or hold. The argument is frequently advanced in support of such position that the larger creditors could not afford to have the friendly adjustment disturbed through the refusal of one or two small claims; such attitude is not only thoroughly unfair but promotes disorder because it means inequality. There should be no preference allowed to one creditor above another, no matter how large or small the debt involved may be.

Our work can only be fostered along sound lines, when all creditors recognize and practise the truth that equality promises more compensation in the long run and a greater return than does spasmodic forced advantage. The Adjustment Bureaus should firmly decline to allow preferences so that the practice of threatening to destroy a fair plan of adjustment on demand of full payment of amount may be rapidly eliminated.

It is the belief of your committee that conferences between Adjustment Bureau managers and members of governing committees promote not only a closeness of touch and operation, but encourage the best ideals, and they should be urged in the future as they have been in the past.

The need, value and economy of Adjustment Bureaus should be very thoughtfully studied by all credit men, especially those embraced within our membership, and every encouragement given to the fostering of this department along efficient and economic lines.

Your committee begs to tender the following resolutions:

1

"Resolved, That the National Association of Credit Men in convention assembled, reaffirming its belief in the efficient and economic work

that may be accomplished through Adjustment Bureaus, encourages their organization on proper lines and endorses that supervision and system embraced within the recommendations of the Chicago conference of January 27, 1913.

II

"Resolved, That each local association operating an Adjustment Bureau diligently and honestly insist upon a character of management that will place its operations above reproach and tend to the very highest ideals.

III

"Resolved, That the National Association of Credit Men in convention assembled, records its confidence in the need, value and economy of friendly adjustments and instructs the publicity department of the National office, in conjunction with the Committee on Adjustment Bureaus, to prepare and distribute leaflets upon this economic and expeditious collection system with a view to securing an increasing support thereto among our own membership and credit grantors generally.

IV

"Resolved, That the attitude so frequently taken by creditors and their representatives of disturbing friendly adjustments by seeking to force preferences is strongly condemned and deplored, inasmuch as equality in the division of involved estates among all creditors, large and small, tends to promote good order and honesty and is essential to the development of sound credit granting.

Respectfully submitted,

*J. A. MCKEE,
H. J. THOMAS,
E. G. ANDERSON,
W. S. STEWART,
S. J. WHITLOCK, *Chairman.*

At the conclusion of the report Mr. Whitlock said: Some figures have been compiled too late to be inserted in the printed report, which show that there were handled by the bureaus reporting during last year 558 cases, with total liabilities of \$5,811,246.65; assets of \$4,238,540.15; paid to creditors, \$1,688,007.98; average dividend, 29.02 per cent.

The number of creditors, 19,822; represented by the bureaus, 8,319; bureau fees, \$58,204.21. These figures representing all cases whether in bankruptcies, trusteeships or other forms of litigation.

Adjustment bureaus have handled independently in trusteeships, 347 cases, in which were total liabilities of \$2,587,539.27; assets of \$1,410,002.40; paid to creditors, \$1,059,370.05; average dividend, 49.44 per cent.; number of creditors, 8,567; represented by bureau, 5,142; bureau fees, \$31,861.75.

No report was received from Buffalo, Cincinnati, Columbia, South Carolina, Columbus, Ohio, Indianapolis, Kansas City, Nashville, New Castle, Norfolk, Pueblo, Richmond, Scranton, Seattle, or Wheeling.

We have no cases reported from the following associations: Chattanooga, Dallas, Los Angeles, San Antonio and San Francisco.

We received reports from the following associations, but the information was in the shape of yearly reports, and it was not feasible to prepare figures from these reports: Spokane, Portland, Oregon, Denver.

* All members of the committee concurred in the report, except Mr. McKee.

Mr. Whitlock—I move the adoption of the report and resolution.

A. C. Ellis, Pittsburgh—I wish to second that motion, and in addition I would like to make a motion that the report be fully and completely published in the convention number.

President Salisbury—That will be done. The discussion on this report is to be led by Frank A. Randel, of Cleveland.

Mr. Randel—I want to say just a few words in my three minutes on the second, third and fourth recommendations of this report. Our adjustment bureaus have been in existence a few years. We have learned what they can do, and especially when backed by our National Association.

But in all things pertaining to the bureaus, just as in our own business, they can be improved from year to year through experience; and I think our experience in the operating of our bureaus has taught us that there is not quite enough supervision. Supervision is lacking to some extent; and I think I would classify that supervision under three points, namely:

First—A general supervision of the bureau by a management committee, a board of directors or trustees, or whatever you may call it, to be affiliated directly with the Association, so that the Association knows in a way just what the bureaus are doing. Now, that board of management should meet at least once in a week or two weeks, and not simply be in existence and never meet. It should have a chance to go over the high spots on the cases being handled and see what progress is being made on them, whether it be in the right direction or not. We all have confidence in our commissioner, just as if a member of the board of directors of your company you have faith in the officers thereof, but as a member of the board you want to know once in a while what is being done; and I believe that should be done also in the bureaus.

Second—The supervision of the individual cases by a creditors' committee. Now, that is a vital point, and I do not believe it is fulfilled and carried out as it should be. If the failing debtor is a boot and shoe dealer, why should the commissioner alone tackle the problem without the help of somebody who knows about the boot and shoe business? I am not objecting to an attorney or two attorneys or three attorneys, or whoever it may be, serving on that committee, but there ought to be a committee of creditors drawn from the boot and shoe people. Or in the case of a clothing failure, of clothing people; a grocery failure, grocery people, and let that committee meet once a week or two weeks and go ahead with the handling of that case instead of leaving it to the commissioner to try to find somebody to sell the assets to, or wind up the case as he may think best. If the boot and shoe people would take hold of a boot and shoe failure and sell the assets or handle the assets as best they can, it is evident that that would pay out best for the creditors in the particular case. I do not believe this advantage should go unheeded by the bureau. If your committee of creditors in a particular case does not give it attention I believe it is up to the commissioner so to inform the managing committee; and if they do not want to pay attention to that case, let them get some other members of the board of directors on that creditors' committee, so that the case will be handled correctly.

Third—The zone proposition is a good one. If a creditor is not exactly satisfied with the way a case is handled, and he does not get any satisfaction from the commissioner, and if he does not get any satisfaction from the bureau, he can have recourse to the zone committee, which can receive his complaints, receive that information and weigh the evi-

dence and file it with the proper parties. For if our National office is going to continue to lend its help toward the operation of these bureaus, our bureaus should be above reproach. (Applause.)

S. T. Hills, Seattle—I do not know why it is that I was picked out as sponsor for these resolutions of the Adjustment Bureau Committee, as they say the wise men come from the East and it happens that I am from the extreme West, but I believe the wise men from the East sometime ago went to sleep on the job, so far as the adjustment bureau work is concerned, since we look to the West for results.

I point with pride to the work of the Northwestern Jobbers' Credit Bureau of St. Paul. A more model organization can hardly be achieved in friendly adjustments, as you will admit, if you will look over the work of that bureau. Then take the work of the Spokane association; and I modestly mention our own in Seattle. Then go down the line to Portland, Oregon, to San Francisco, to Denver, to Salt Lake City, and you will find that all the original ideas in adjustment bureau work have come from those centers.

I believe that the National Association of Credit Men has dealt long enough with ethics. You have been passing resolutions from year to year as to what to do and how to do it; but as a whole we have not been practising what we have preached.

I recall a little story I read in one of the magazines as I came across the plains. A grain merchant was absent one day from his business, and a farmer came in and wanted to get some barley. The wife waited on him and he said, I would like to get a bushel of seed barley. She went out into the corner, took a peck measure, measured two pecks, and started to tie up the bag. Then he said, "Four pecks make a bushel." She said, "I guess that is so, I don't help father much, and before I was married I was teaching school!" That is a great deal so with the recommendations of this National Association. We have been teaching school a long time, and it is about time we went out with a peck measure and got a little practical experience.

I would like to recommend the adoption of the recommendations of the bureau as a whole. However, there is one recommendation that I would like to make. I wish some one would offer a resolution to this effect, which would help the adjustment bureau members to a great extent, and that is that each member of the Credit Men's Association in placing an account in the hands of an attorney for collection against a going concern, place it there with the proviso that in case of insolvency or adjustment, the account shall be at the call of the nearest local association or the National Association, for voting purposes.

President Salisbury—The report of the committee and the resolutions are now before you.

F. R. Hamburger, Detroit—I want to add my word of commendation to the report of the committee, and say that I heartily approve of the recommendation and resolutions. This is a subject that is very dear to me, as I have made an effort to have our Detroit association establish an adjustment bureau. Some time ago I wrote to adjustment bureau managers in all sections of the country, and I was astonished at the replies which I received, astonished at the results that have been accomplished by adjustment bureaus.

In comparing the dividends that have been paid on the average by adjustment bureaus, I find that in many cases, and in fact on the average as compared with dividends paid to the bankruptcy court, the

dividends paid when claims were presented and adjusted by the adjustment bureau are in many cases 50 to 60 per cent., and in the case of bankruptcy but 15 to 20 per cent. The opposition to the adjustment bureaus, as I see it, comes mainly from collection agencies and attorneys; at least I find the objection arises from that source in my center.

The question of having an adjustment bureau at Detroit was brought before our board of trustees, and it was defeated, but I am in hopes that the additional favorable showing that may be made to our association, as well as others, will stimulate a great interest, and that an adjustment bureau will be established in the city of Detroit, as I believe it ought to be in every business center.

The resolutions offered by the Adjustment Bureau Committee were then unanimously adopted as presented by the committee in the report as above.

President Salisbury—We shall listen to an address now by Charles D. Joyce, of Philadelphia, on "The Place of Credits in the Development of Commerce."

The Place of Credits in the Development of Commerce

ADDRESS BY CHAS. D. JOYCE, PHILADELPHIA, PA.

Mr. President and Gentlemen:

I have been given authority to take up twenty minutes of your time. I believe that gratitude alone will earn a premium for the man who shortens the official limit, and with that end in view, I will proceed. I would like to explain, however, that the subject as assigned me by our courtly and gracious National officer, differs from that on the program. The subject given to me was "Credit in the Development of Commerce," and my paper treats of the subject as assigned.

When the Indian gave his land to the colonist for some implements and beads, and the farmer took wheat to the miller and returned home with flour, each felt that he was making a satisfactory exchange; this barter was the primal form of domestic commerce. Next to it in simplicity came the delivering of goods by the producer for a money consideration, paid into his own hand.

No state nor country produces all the things which its people need, but each has a surplus of some products; it is the exchange of the surplus of each that has evolved commerce. Nations and the governments thereof were quick to realize that the welfare, progress and importance of their people rested upon their ability to produce more of the world's needs than their rivals. Governments have been ever eager to smooth the paths by which the surplus could be transported to profitable markets. Attention is first given to domestic commerce, and foreign commerce naturally follows to carry off the over production of field and forest, mine and factory.

To realize the importance of commerce to the people of nations, we have only to review the tremendous undertakings planned and carried through to facilitate this moving of merchandise. Private enterprise has bridged rivers, tunneled mountains, dug canals, spanned continents with ribs of steel. States have been united by telegraph and telephone, and foreign nations by ocean cables. The call of commerce has forced governments to expend large amounts of public funds in opening the nation's waterways to navigation, in dredging channels and deepening

harbors, building sea-walls, erecting light-houses, and bringing together the extremities of the earth by constructing great ship canals across the two narrow necks of land which from time immemorial have held the grand divisions of the continents together. Not yet satisfied with all these stupendous works done in her behalf, commerce asks that governments subsidize steamship lines, and protect her interests in every important port the world over by establishing consular service.

Nearly three-quarters of a century have passed since Daniel Webster, in a speech delivered in the United States Senate, defined credit as the "Vital air of commerce." That definition is to-day, as it was then, the best that can be given. The world's commerce is as dependent upon credit as life is upon air—neither can exist without the other; both are beneficent when normal, but when influenced by adverse conditions both destroy with cyclonic force. Credit improperly extended is as destructive to commerce as sound credit is constructive.

History furnishes abundant proof of the complete prostration of legitimate trade through nations indulging in reckless commerce founded on unsound credit.

France hoped to replenish her empty exchequer, so woefully depleted through the colossal extravagance of Louis XIV, by adopting a scheme to develop the mythical mines of gold and silver that were supposed to lie buried beneath the rich soil of Louisiana. The company's promise of annual dividends of 120 per cent. led to the wildest speculation. Regular commerce was suspended, and when the Mississippi Bubble burst, poor, over-credulous France was burdened with a debt of six hundred million dollars, and her trade and capital were so disorganized that the mischief could never be repaired.

Sober, stolid England still smarts under the mighty shock to the public credit caused by the abandonment of both government and people to the fatuous spectre of the South Sea Scheme, and although the country was rich enough and strong enough to recover in due time from the injury done her, still there is no doubt but that her financial position would be better today had her statesmen, bankers and merchants been alive to the situation and prevented this gigantic fraud.

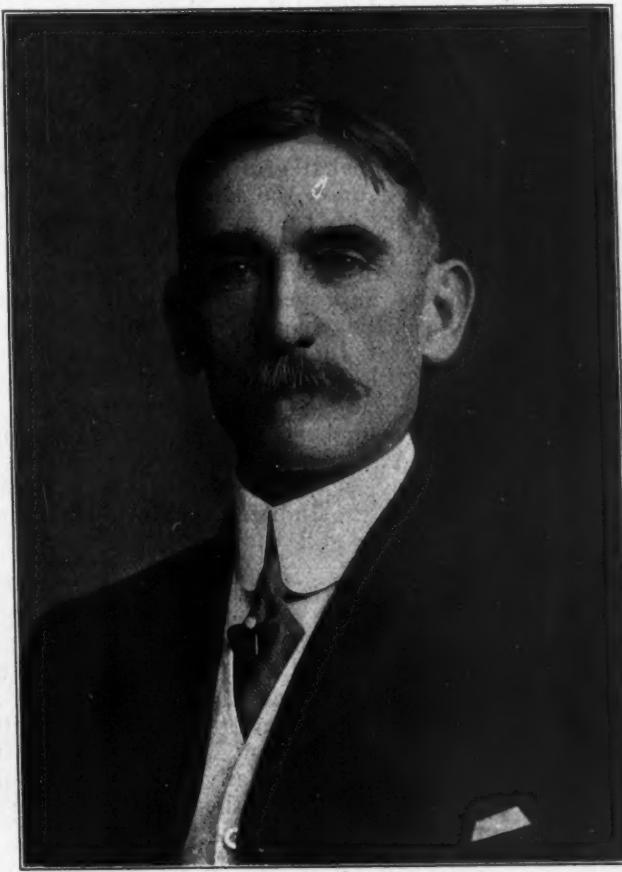
Even the thrifty Hollanders, noted above all nations for the careful investigation of business projects, yielded to the Tulip craze. When the bulbs were introduced from Constantinople, the promised returns from their cultivation were so alluring that regular business was neglected and the population, rich and poor, planted and traded in tulips. When the necessary foreign markets were sought, it immediately became apparent that the expected demand would never be realized. With confidence destroyed, a universal panic, as wild as the original mania, set in.

It is, indeed, impossible to predict to what heights of folly people will go when led by men who make big enough promises. It is the work of this Association to develop constructive credit, protecting commerce against such wild schemes as the Mississippi and South Sea Bubbles, the Tulip Mania, the Darien Expedition, the Search for the Northwest Passage.

Upon the never-changing foundation, the merit of the individual, is built the entire superstructure of the sound credit system.

No risk should be accepted, no project should be furthered without investigating the character, capability and capital back of that risk or that project. When all three of these essentials are satisfactory, aid should be liberally extended. But if a man has the two

greatest assets of character and capability, of capital he may have little or none, credit supplies its place. Money seeks labor, and all it asks is that the laborer shall double the talents furnished him. He dares not be slothful or afraid, his *all* depends upon his integrity, his diligence and his originality. Thinking *after* other men never puts him first. The trader like the poet must have a vast imagination, he must see into the future, must have his ideal, must have faith in its realization, and then work for it without ceasing. John Pierpont Morgan told the Pujo Committee that character is the basis of credit, and it was his own character, a rare combination of intuition, courage,



CHARLES D. JOYCE
The A. Colburn Co., Philadelphia, Pa.
Director

fidelity, and imagination, that made him the colossal genius of American credit.

The captains of industry today are the men who, a quarter of a century ago, read between the lines and saw the possibilities of the future, and then devoted their lives to converting those possibilities into facts. Our great country has furnished an arena unparalleled, for activities in government, in agriculture, in manufacturing, in

mining, and in commerce. Credit has given to labor the use of capital. The world waits at our doors today, and it is the youth of character and of foresight who a score of years hence will be sending American products in American ships to every South American port. When Columbus sailed across the Atlantic and Vasco da Gama rounded the Cape to India, it was commerce, not conquest, that sat at the helm. The pioneers who discovered new lands and new routes to well-known marts, braved the dangers of the sea and the greater dangers of the wilderness *to further trade*.

The practical man "prone to value none but paying facts" has been a blessing to civilization and to Christianity. Not only has commerce charted the sea and opened up the wilderness, but it has through the successful prosecution of its own work also exercised a civilizing and uplifting influence. Never has this beneficent influence been more powerfully illustrated than by the famous East India Company. Through two and a half centuries this remarkable organization filled a place in human history no other company ever approached. Besides ruling what grew to be a vast empire, it conferred benefits unnumbered upon the Hindoos, person and property which had been at the mercy of cruel rajahs grew secure, slavery was abolished. Roads and bridges were built, steamboats and railroads were introduced, together with the printing press and the Bible and the natives educated to improved methods of commercial life. Although these glorious achievements were dimmed by some spots upon the sun, yet the East India Company, primarily a business organization, deserves the title of the "Savior of Hindoostan."

The progress of civilization on our own American continent, has, in many instances been furthered by what were seemingly purely commercial enterprises. A striking illustration in point is the Hudson Bay Trading Company, which institution, unlike many of its successors, dealt fairly with the Indians, thereby inculcating a spirit of thrift and good-will which still endures in the snowy wilderness of Canada.

Poverty is the dynamic force which urges men to do and to conquer. It is not the rich man's son who needs to risk his life that he may make it bearable, but the hardy son of toil who has naught but his own strength, and will and heart. Having these he has all, for credit is his, as a blessing voluntarily offered. Take away this credit and then imagine the world of trade. Hamlet with Hamlet left out, would be perfect in comparison. Labor and industry would then face naught but manual toil and daily drudgery. Abolish credit and labor is divorced from capital and then capital is idle and labor groans. Credit controls the life blood of the nation.

The responsibility resting upon any organization whose work it is to investigate and classify credit, is one of almost sacred trust, as into its hands is given the mighty privilege of encouraging honest effort, making it prolific of the highest good, and of checking selfish interests which uncurbed, would jeopardize the well-being of the people.

The complexity and hugeness of modern business have proven to the students of economics, that commerce has outstripped its assisting partner, credit. In the rush to facilitate and extend commerce, neither men nor governments have demanded that the proper and necessary safeguards be thrown around that commerce so as to make it yield the greatest good possible to all mankind. We are to-day woefully lacking in a scientific credit system. Our present methods, even when conscient-

tionally followed, too frequently lead us "on the rocks" and possibly even more frequently, warn us away from safe harbors and fertile fields of profitable endeavor.

The organization of this Association and its wonderful growth in the short period of its existence, bear testimony to the "need of the hour" and our Association will not fulfil its mission unless it evolves or develops, or at least points the way to a credit system by which the business of the individual, corporation and nation will be properly protected. (Great applause.)

President Salisbury—We shall now receive the report of the Mercantile Agency Committee, E. D. Flannery, New York, chairman.

Mr. Flannery—In opening my remarks I wish to call your attention to the fact that there is at least one local interest in this town that has not availed itself of the opportunity which has come knocking at its doors. I refer to the celluloid manufacturers. If they had furnished us with a sufficiently large number of samples of their collars and cuffs, they would have made a great hit. (Laughter.)

Report of the Committee on Mercantile Agency Service

To the Officers and Members of the National Association of Credit Men.

Agreeable to a resolution adopted at the Boston convention, the Mercantile Agency Service Committee was appointed by the president and confirmed by the directors of the Association almost immediately after the convention period.

The committee's first meeting after the preliminaries incident to its organization had been disposed of, was at the Hotel Astor in New York City, on August 8th. At this meeting were considered the various communications addressed to the committee upon mercantile agency service, but, holding in mind the evident wish for and value of following in close sequence the work of the preceding committee, the conclusion was unanimously reached that your interests in this important department would best be served by confining our efforts to the accomplishment of results that accorded with the intent and spirit of the resolutions offered by the preceding committee and adopted in convention at Boston.

At this meeting the feeling was unanimous that the committee work be simple in character and definitely directed upon the attainment of certain elementary changes in the agency reports, such as, in the opinion of your committee, would assist in the checking of credits and enhance the value of the mercantile agency service.

Pending the next conference of your committee, its chairman was authorized to call upon the managers of Dun and Bradstreet for the express purpose of interesting them in the Boston resolutions and endeavoring to get them to co-operate in putting them into effect.

With the concurrence, therefore, of the managers of Dun and Bradstreet, following these interviews, there was announced in the Secretary-Treasurer's General Letter No. 3, dated September 3, 1912, the following:

"The Committee on Mercantile Agency Service, the first to be appointed, is already at work. At its first conference, held a few days ago, it went over the weaknesses in agency service brought out

by successive committees and out of them fixed upon one which it believes the entire Association should at once co-operate to overcome. This was the illegibility of reports and the frequent recurrence of palpable errors in them. The committee decided earnestly to urge upon the members as a matter of principle to return to the makers reports that are not legible or are improperly drawn.

"At the Boston convention the following resolution was adopted:

"*Resolved*, That the members of this Association, with a view to the gradual elimination of errors, and for the general good of the service, be urged to return at once to the mercantile agency issuing it, any illegible or inaccurately written report."

"It is hoped that all members will be alert to the importance of their part in this matter, and even though it entails a little trouble, remember that general observance of the committee's request will gradually eliminate or reduce to a minimum errors in the service we are buying of the mercantile agencies."

The September, 1912, BULLETIN was especially devoted to mercantile agency service and made the following announcement for the purpose of creating between the membership and the mercantile agencies a spirit of co-operation, such as is necessary, in the judgment of your committee, in promoting their mutual welfare:

"Whatever may be our feeling toward the mercantile agencies, whether friendly or the reverse, as credit grantors we cannot fail to recognize how indispensable they are to commerce, and that it is for the interest of sound business that their facilities be bettered and their reports be just as accurate and searching as possible, and besides, arranged so that the significant facts may be most easily extracted.

"To bring this condition about, we who are being served must take the same attitude toward the agencies that it is our duty to assume toward all public service corporations. We must criticize sharply, but fairly, and insist upon good service. We must also co-operate with the companies to help them so far as it lies in our power, and this is peculiarly true with mercantile agency companies for if credit grantors are antagonistic toward the companies or refrain from giving them important information, the service they can render is seriously hampered.

"There are three influences which should be continually at work for better service. First, the agencies themselves, second, each individual subscriber to their service, and third, the National Association of Credit Men as the organization of the subscribers committed to a demand for steady improvement in the methods of getting information before credit grantors.

"The part each of these forces is to play is well brought out in the resolutions passed at the Boston convention, and they are here presented with the hope that each one's part will be played in a fairer and better spirit, as also with more vigor than heretofore. Each member will note what he has to do as a credit man, and the Mercantile Agency Service Committee and leaders of the Association have committed themselves to most earnest endeavors, and let us be fair and presume that the agencies will not fail in their part."

Your committee met again in conference at the National office on November 7, 1912, when were considered other communications from

members upon mercantile agency service and the work executed during the period between this and the former meeting. There was adopted at this conference a communication in duplicate to R. G. Dun & Company and Bradstreet and Company. This communication was made a part of your committee's report, and we shall merely state in brief that the request was made in your behalf of the mercantile agencies to paragraph reports under four distinct headings, namely:

- Antecedents.
- Financial statement.
- Comments.
- Trade experiences.

and that in the investigation of antecedents certain information be especially sought and presented in the agency report under this or other appropriate paragraph headings.

This communication was personally delivered by your committee (two members only being absent), to the managers of R. G. Dun & Company and Bradstreet and Company in the office of each of these agencies. After a brief discussion with each of the agency managers, your committee was advised that the communication would receive careful consideration and reply given forthwith.

Pending this consideration of the communication upon the part of the agency managers and governing boards, the chairman made frequent calls upon each and was assured positively on every occasion that endeavors were being made to comply, so far as was possible, with the suggestions embraced in the November 7th communication and the Boston resolutions. The committee members were kept advised of these visits and their results.

Under date of April 17, 1913, R. M. Harding, general manager of the Bradstreet Company, wrote to the chairman of the committee as follows:

"Confirming our statement when you called recently, we desire again to assure you that the suggestions submitted by your committee are having our earnest consideration and we hope to be in a position to advise you of our conclusions at an early date.

"Many of the details enumerated in your letter have been recognized by us as essential features and are regularly included in our reports—a fact which we assume is well known to you. Respecting the construction of the reports, we beg leave to say that under our present system we do require that the information be formulated according to its natural divisions, subject, of course, to such modifications as individual characteristics may render necessary. If we can determine upon any improvements, be assured that we will be glad to adopt them.

"Perhaps you will be interested to learn that we recently supplied to our offices a thicker paper, for use in preparing subscribers' copies of reports, and this is being put into use as rapidly as possible throughout the organization."

The third conference of your committee was held at the Hotel St. Denis, New York City, on the evening of May 1st, and conclusions were then reached that both of the agencies were endeavoring to meet the wishes of your committee and that of the National body as expressed in the Boston resolutions. There was a belief expressed by some members that since the conference of November 7th with each of the agency gen-

eral managers some improvement in the mechanical and mental work of the reports of both agencies had been discovered; as for example, that Dun & Company were showing much cleaner, better paragraphed and fewer defective reports, and that Bradstreet had substituted a heavier paper for that previously used and had also made other improvements.

Following this conference, your chairman received from A. W. Ferguson, general manager of R. G. Dun & Company, a letter dated May 20th, reading as follows:

"We acknowledge receipt of your communication suggesting forms for writing up our reports, together with copy of resolutions passed at the last annual meeting of the National Association of Credit Men.

"It is, of course, and quite naturally, our desire to prepare and issue our reports in the most effective, practicable way. We therefore appreciate any suggestions leading in that direction and tending to make our work more useful and attractive.

"As to the precise arrangement of subjects, it has been for a long time our practice to treat the various items in the general order outlined in your letter.

"The paragraphing of reports is obviously proper and desirable, and has been ordered done throughout our entire system.

"As to 'designating' the paragraphs in each instance, that is a matter which, seemingly simple, will require greater study and consideration than may appear on the surface.

"However, we may say that the plan is already having a fair trial in certain of our districts, and we are watching the results with serious interest.

"We endeavor to exercise a close censorship over reports going to subscribers, still there will inevitably be instances among the hundreds of thousands of reports issued, where some deficiency as to totals of figures, clearness of copies, etc., may be noted. We applaud the expressed purpose of your committee to recommend to members of your Association that they return to our district offices reports that appear to be in any respect deficient.

"As to the matter suggested to be given under 'Antecedents,' we may say, that all the information of the nature outlined that we are able to glean is regularly incorporated in our reports.

"Property statements, received by mail or otherwise, are carefully filed, together with the evidence of the manner of their receipt.

"Fire records have always been made an essential feature of our reports.

"We are sure every experienced credit man must realize that from year to year there has been a steady improvement in the character and construction of our reports. The legitimate demands upon the agency, both in nature and volume, have not only been met, but as a rule anticipated. The percentage of our work done by traveling reporters is now materially higher than at any period in the history of the agency, and the equipment of every department is in line with the most up-to-date and progressive business methods.

"We would suggest that not too much importance be attached to 'forms' in the writing of reports. The most thorough reporting may imply a getting away to a considerable extent from mandatory forms, giving the writer a chance for originality, and broadening his perspective rather than limiting it. The best reporters can

profitably utilize a degree of latitude in this respect, with results advantageous to our subscribers. Let the reporter feel that he is compelled to observe closely a prescribed form, or limit him to specific headings, and the result may be a loss of effectiveness and value. What our subscribers particularly require, we believe, is what is commonly called 'meat'; at the same time, we shall continue to strive to give the mechanical and other effects the full consideration to which they are entitled.

"You will probably realize that 'The Mercantile Agency,' possibly more than any other enterprise, is a business of detail. We receive continually suggestions for changes, the majority of which are, in the light of agency knowledge and experience, impracticable. We welcome, however, all well-intended recommendations, in the hope that even a small percentage may be useful. We seek knowledge and helpful suggestions on every hand, and realize that next to our personal experience our best source of instruction is the experience of our subscribers.

"We desire to express our appreciation of the courtesy of the committee of which you are the honored chairman, and to remain."

Your committee sincerely believes that progress of mutual advantage was made during the year and it was very evident to its members that the best possible work for promoting the mutual welfare of agency and subscriber is through a close touch of the subscriber with the local office of each agency, and by making known in a frank and explicit way when reports are mechanically defective or show evidences of unwarranted negligence in compilation.

It is also the belief of your committee that there should be established a close relationship between each of the local associations, through its properly appointed committee, and the local office of each of the agencies, and that an effort be made to co-operate in a cordial and effectual way for the improvement of the service.

The third conclusion was also reached that co-ordination of the work will prove more effectual than merely individual effort and that local committees should report to the committee of the National Association the local situation and complaints under investigation, and wherever possible allow the latter to act as the intermediary between the local complainant and the general managers of the agencies. By acting in this co-ordinate and systematic way there should be accomplished that improvement which is necessary to keep the mercantile agency service abreast with the expansion of credits and their related complexities.

It was the belief of your chairman that many complaints regarding mercantile agency service, judging from the experience of your chairman in local mercantile agency committee work, had not been deeply considered, for in almost every instance when the complainant was asked to call for conference, nothing further was heard.

The membership must be cautioned in this important machinery of the credit department to be reasonable, always to direct upon this service unqualified equity and justice, and not to complain unless the defect or mistake discovered is serious, unwarranted, or reasonably preventable.

Your committee desires, in conclusion of its report, to present the following resolutions:

I.

"Resolved, That the resolutions adopted at Minneapolis and Boston, calling upon the members of the National Association of Credit Men to return to the issuing office any illegible or inaccurately written report, be by the convention approved, and for the express purpose of eliminating, gradually but effectively, errors in the mechanical compilation of reports and for the general improvement of the agencies' service the members be urged to give their co-operation both to the Mercantile Agency Service Committee and the agencies.

II.

"Resolved, That each local Association of Credit Men be urged to appoint a Mercantile Agency Service Committee, and that such committee be asked to act in close co-ordination with the National committee, reporting in every instance to said committee any complaints received from local members or situations affecting the value of the service discovered from its own investigation.

III.

"Resolved, That the National Association of Credit Men, in convention assembled, registers its belief that the simple paragraphing of mercantile agency reports will increase the efficiency of the agencies' service as an important part of the credit office machinery, and urges the mercantile agencies, with reasonable promptness, to make such changes and improvements in their service that this plan of reporting may be developed.

IV.

"Resolved, That the president and directors be requested to appoint the Mercantile Agency Service Committee for the next year immediately after, or within a short period following the adjournment of this convention so that the work begun by the present committee may be carried forward without unnecessary interruption."

Respectfully submitted,

THEO. HETZLER,
CHAS. J. ROH,
HUGH R. JONES,
E. B. HOWELL,
E. D. FLANNERY, *Chairman.*

During the reading of the report Mr. Flannery said: I want to speak of my own experience in local matters. Members of a committee naturally feel that they must find something to do in mercantile agency work and so look for something to complain about. Now, the best thing to do, if you think you have a matter to complain about, is to go down and see your local agency manager; talk the matter over with him, and nine times out of ten you will find the fault lies as much with yourself as with the agency. Referring to my personal experience I want to say that when complaints have come to me as chairman of the Mercantile Agency Committee I have asked the complainant to call upon me in order to go over the matter, but I never have received a reply. This shows how important the man who makes the complaint considers it. Let us get together on all points and see our local manager and talk it over with him, and ninety-nine times out of a hundred you can get satisfaction. You have all read the letters from both Dun

and Bradstreet. I am glad to be able to supplement those letters with two more which I received from Bradstreet's, which read as follows:

New York, June 16, 1913.

Mr. Edward D. Flannery,

National Association of Credit Men, Cincinnati, Ohio.

MY DEAR MR. FLANNERY: When we last talked over the telephone I said that we would convey to you our decision with respect to the paragraphing of reports as soon as it had been reached, and, in accordance with your suggestion that you would be glad to have this even at the eleventh hour, I take much pleasure in handing you a letter setting forth our conclusion. I regret that this could not have reached you earlier, but our experiments have only just been finished and I shall endeavor, through the good offices of Mr. Goodale, our Cincinnati superintendent, to have this reach you before the convention adjourns.

With assurances of my regard, I beg to remain,

Yours very truly,

(Signed) R. M. HARDING, General Manager.

Mr. Edward D. Flannery,

Chairman, Mercantile Agency Committee, National Association of Credit Men, New York City.

MY DEAR SIR: Supplementing our letter of April 17th, we desire to advise you that after further consideration and experiment, we have decided to designate the paragraphs in our reports by suitable captions, thus rendering more distinct the natural divisions into which the information is separated. This applies to all reports containing sufficient details readily to admit of such arrangement and the form will be in substantial accord with the views of the members of your Association as communicated to us by your committee, except that we have decided upon five divisions instead of four.

Yours very truly,

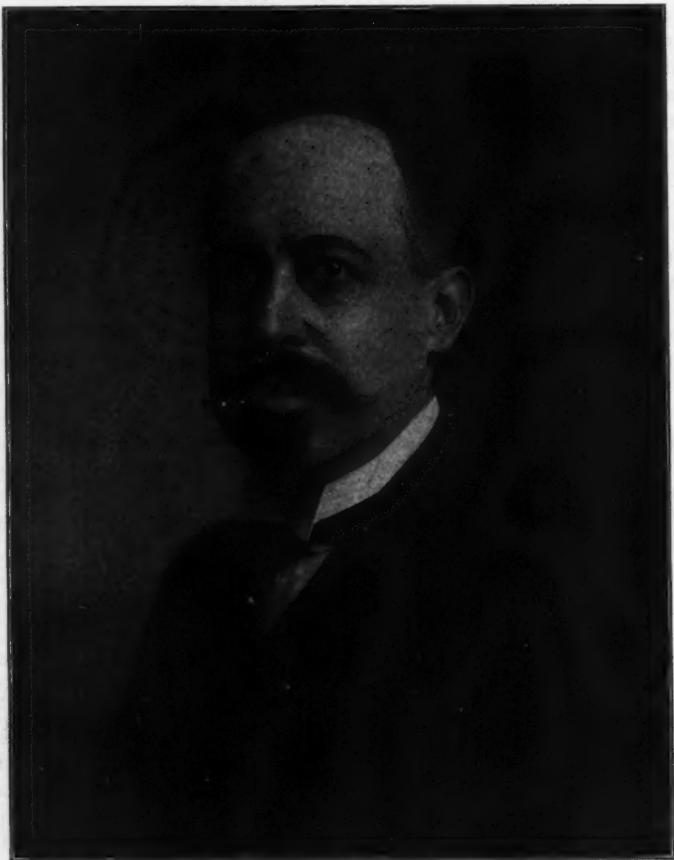
(Signed) R. M. HARDING, General Manager.

I wish to say that your present committee recognizes the fact that some responsibility has fallen upon it owing to the fact that it was in direct communication with the National office, a position which, unfortunately for previous committees, did not exist; but we recognized the responsibility thrown on us by that position and our committee has held numerous conferences with both agencies, and I am positively satisfied that it is their purpose to comply with all intelligent requests which we can make of them whenever it is possible for them to do so, and I ask you to help us out; help this committee, or the incoming committee, by doing as I have said to you before, when you have any complaints, or any matter that you feel should be complained of, go to your local manager, talk your complaints over with him, send a copy of your complaint to the national committee, and we shall take it up with the home office, and I think in that way we shall achieve excellent results both for the agencies and ourselves. (Applause.)

President Salisbury—The report of the committee and its resolutions are before you. Mr. Flannery moves the adoption of the resolutions and his motion is seconded. The open parliament on the committee's report and resolutions will be led by Ira D. Kingsbury, of Rochester. (Great applause.)

Mr. Kingsbury—I want to add, and it is beyond my power to make stronger the suggestions that Mr. Flannery made, that we all ought to co-operate with this committee. It is in our hands to work with the local representatives of the various agencies to get the reports that we want from them.

The address of Mr. Joyce brings to mind one matter that I believe is close to all of us. I do not believe there is a manufacturer in this room that does not make something that can be used in foreign countries at the present time. Our inability to get definite, accurate and full



IRA D. KINGSBURY
L. Adler Bros. & Co., Rochester, N. Y.
Director

credit reports without the payment of exorbitant fees is a difficulty that we all have to contend with. Take Honolulu, for example. One of the agencies rates Honolulu in its book and gives us a report quickly and under our regular subscription. The other agency does not give ratings there. That ought to be brought to a uniform basis. Now, on foreign reports we must either join the National Association of Manufacturers and make use of their credit bureau, or the Philadelphia Museum, or pay an exorbitant price for a report through the established agencies

abroad. I believe there is a field for the incoming committee to help us all in improving our export business. (Applause.)

President Salisbury—Oscar Loeffler, of Milwaukee, will also speak to us on the committee's report and resolutions. (Great applause.)

Mr. Loeffler—Mr. Flannery's report shows that he and his committee have done splendid work during the year. Also the letters which have been read from the agencies show that the agencies are listening to advice from credit men. Those of us who have been in close touch with this kind of work for years, know that there has been a steady improvement both in the reports and the books of commercial agencies. Suggestions from credit men are always welcomed by the general as well as the local manager.

I believe that every association ought to admit to membership the local agency manager, because only thereby can the agencies be brought into close touch with our work and desires. I make this suggestion because I understand that some associations do not allow mercantile agency representatives to become members. When we have complaints to make they will be acted upon more quickly if we personally know the men and mingle with them.

Last year an agency manager in our city told me that his agency was scouring the world for the kind of paper which this Association had demanded, and they had found it in Europe at some considerable expense, which is another proof that these people had been trying to do what we are asking them to do.

We are getting more signed statements, figures on fire insurance carried, prompt notices when fires occur, changes in condition, etc., than we ever did before and all these things have come to us as the result of our demands and suggestions.

With the establishment of bureaus for credit exchange and interchange, we find that some of our members often do not like to disclose their ledger experience to agencies. How can we expect agencies to give us good trade reports if we withhold our experience even from our fellow credit men?

We all know also what an incentive competition is to make men hustle. So I have often wondered why credit men at large have never tried very hard to create competition between Dun and Bradstreet. Only recently I learned that the United Mercantile Agency, which had been struggling hard to gain a foothold, had to go into bankruptcy. I personally know that the local work which they did in our city was excellent. I think they really deserved a better fate.

The Credit Clearing House also is waking up more and more to what we want, as is shown by a letter which came to me only a few days before I came down here. It is dated May twenty-first. I will not read it, but I will merely say what it brings out, that the clearing house has decided to discontinue bankruptcy practice. Credit men will appreciate that this attitude on the part of the Credit Clearing House puts it in such position that information obtained will be utilized solely for the benefit of creditors, and no claims placed with the Credit Clearing House for collection will now be used to create insolvency conditions with a view to gaining fees. What a splendid step forward. (Applause.)

D. A. Landress, Chattanooga—I wish to offer this resolution:

"Resolved, That inasmuch as some states have laws affording protection to credit grantors against false statements, the managements of R. G. Dun & Co., and Bradstreet & Co. be urged to procure the signature of each member of the firm to statements made to these

agencies, and before issuing reports on firms declining to make statements a greater effort be made to ascertain positively who the parties involved are."

F. C. Wasserman, Portland—There may be other mercantile agencies in the country, and I suggest that no names be mentioned. "Mercantile reporting agencies" is the expression that should be used rather than the regular names.

Charles Reynolds, New Orleans—It strikes me that this resolution is entirely unnecessary. It is urged that reports be held back until statements and names are obtained. This would result in a delay. Agencies always try to get that information before they issue the report, and I do not believe a resolution such as this would be effective one way or the other.

T. J. Bartlette, New Orleans—It seems to me that the resolution endeavors to shift the responsibility of ascertaining to whom a credit man is selling from the credit man himself to the agency. If a man applies to me it is my business to find out who he is and not make the agency get the information for me.

Mr. Landress—We pay R. G. Dun & Company and Bradstreet's and other mercantile agencies for giving us this information, and we ought to expect them to do that for which we pay them. It happens that the firm I am connected with now has a case where one member of a firm signed a statement L. D. Jones & Company, and stated that certain men were partners in that firm, yet these men disclaim any interest in the business of the company. We have no way of proving that statement was correct. I expect other credit men have had the same experience; we have had it more than once.

C. B. Cranston, Columbus—In support of what the brother has said you must bear in mind one thing, namely, that the agency has its man on the spot. He is at the point where the party is getting the statement; you are at the other end of the line, expecting it through the mail, trusting in God and the post office. I say that the man who is in the locality should do his work thoroughly and completely. He is in a better position to ascertain the things we need for a complete report; and that is the basis of the subscription fee to his agency. (Great applause.)

Lewis M. Creighton, Philadelphia—As a member of the Mercantile Agency Committee of the Philadelphia association, with which committee I have been identified for fifteen years, I want to say that the proposed resolution has a very important bearing on the extension of credit. It is vital that the statement be signed by every member of the firm. In a good many cases it should be signed by every officer of the corporation. You forget one fundamental principle in the establishing of the mercantile agency rating, on which 90 per cent. of you are extending credits, and that is the fact that all ratings which are based on human ingenuity are subject to failure; and therefore unless the men who make that underlying rating on which you base your extension of credit are of high caliber, you are going to continue to have these millions of losses you are suffering from every year. I know whereof I speak, because I know positively that 25 per cent. of the mercantile agency men in Philadelphia alone are not fit or proper men for their jobs—with all respect to your National Committee on Mercantile Agency work, and the co-operation they are getting from the credit men.

President Salisbury—This resolution has been offered and seconded and we may consider it before the other resolutions. Are you ready for

the question? All in favor of adopting the resolution will say "Aye." Contrary, "No." The "Ayes" have it, although the vote is close.

C. C. Robertson, St. Louis—I have had considerable experience in this mercantile agency situation, because I was chairman of the National committee recently, and I feel that this is indeed a day for celebration. We have received a message that shows that one of the great agencies has made an unconditional surrender. At the same time we must all feel that these improvements cannot come without cost to the subscriber. We are getting almost what we pay for at the present time, with the present system; and if we expect these mercantile agencies to keep up the improved service along the lines of this third resolution, we must expect to pay for it; but I, being from Missouri, must be shown.

R. S. White, Chicago—It is not my purpose to criticise the report or the resolutions of this committee, but I would like the privilege of referring to the first resolution which recommends the return to the issuing office of any illegible, or any inaccurately written reports. That is good and is a rule we should comply with, all of us. But it seems to me that if we are going to return reports for defects, we should very reasonably go further and say that any report which fails to give the date of the various parts of the information contained in the report, or fails to contain information of value, should be returned. Let us return them for some vital reason if we are going to. I would rather supply an obvious word in the phraseology of a report myself, or go to the trouble of retabulating it, than to have a report that does not give me any information. Now, if the agencies cannot give us the information for the price that we pay, let us return their reports, because we buy reports that supposedly contain information, and then when it is found that the agencies cannot give the information, let them put the price to a point where they can give it, and let us insist on their giving it. I do not want to offer this as an amendment to the resolution, but I wish to get it before the meeting for consideration.

Louis Grossman, Louisville—I do not agree with Mr. White at all. I think Mr. Flannery's answer would fit well in that place—refer to your local committee and talk it over. On the spur of the moment you think what you want is not in the report, but I think a little study will often show that it covers the point of alleged error.

The committee's resolutions were then read and unanimously adopted.

President Salisbury—We shall now have an address by A. H. Dobson, of Utica, N. Y., on "Co-operation, the Credit Man's Chief Asset."

Co-operation, the Credit Man's Chief Asset

ADDRESS BY A. H. DOBSON, UTICA, N. Y.

In accepting the invitation to speak on "Co-operation, the Credit Man's Chief Asset," I presumed it followed necessarily that I subscribe to the proposition that co-operation is the credit man's chief asset. Now, I am willing to do that only on condition that co-operation is entered into in a certain frame of mind under certain conditions, and that such standards are carefully observed; and my remarks will therefore bear to a certain extent at least upon what might be termed the conditions applicable to the case.

The dictionary says that co-operation is "The act of working or operating together to one end." If we stop to consider this exact meaning of the word, we at once become conscious of the fact that the principle of co-operation has entered into the lives of the inhabitants of this world

in some way ever since the beginning of time. This applies equally to the entire domestic, social and commercial structure, but it is more particularly in its relation to the latter that we as credit men are supposed to be interested.

There always have been, and always will be, results that can be more easily accomplished by organized effort than by individual endeavor, and it is with this thought in mind that the usual co-operative arrangements are entered into.

But if you will give the matter a little thought you will at once realize that aside from these definite arrangements this same principle permeates nearly all of our business relations.

While competition is said to be, and undoubtedly is, the life of trade, at the same time, underlying and involved in every commercial transaction is the spirit of co-operative effort. The business relations of the manufacturer, the wholesaler and the retailer are so interdependent that they must of necessity co-operate in order to succeed, while all are obliged to work in harmony with the banker and the dealer in transportation if the best results are to be obtained with the complex commercial organization that exists today.

I have absolutely no sympathy or consideration for the man of boasted independence. In fact, I have yet to meet or learn of a person who could consistently lay claim to anything even approximating such a state.

Regardless of the fact that we may be competing in the sharpest possible manner with our brother merchant, it still remains true that consciously we are at the same time co-operating with him. In negotiating a sale to one of your customers or in making a purchase, there may be keen competition as to prices, terms, etc., but at the same time are you not co-operating; are you not "working together to the same end," viz: the making of a contract between you that shall be mutually profitable?

In fact, unless a man establishes himself on some desert island and lives absolutely alone, I fail to see how he can avoid entering into co-operation in some manner with some of his fellow beings.

But greater stress has been laid upon the importance of this principle in recent years than ever before. We find that by developing the spirit of co-operation more fully we can eliminate much of the waste incident to the machinery of our modern business and social life. The old creed of "every man for himself" has given place to the more liberal minded policy of the "greatest good for the greatest number," and we are now beginning to realize that what is best for the greatest number, is also best for each and every one of us individually.

It is my firm belief that in no line of work, in no field of endeavor, can the policy of co-operation be employed to such great benefit or brought so nearly to perfection as in the work of the credit man.

Now there are numerous ways in which a credit man may make use of this co-operative principle to the advantage of himself and the interests he represents and to the benefit of his profession at large, and I shall not attempt to cite more than a very few of them. I am convinced, however, that quite frequently in our anxiety to gain some temporary advantage and in the strenuous race for the "mighty dollar" some golden opportunities are overlooked, and I am also of the opinion that at some times we think we are co-operating, when as a matter of fact we are simply trying to get something for nothing.

Probably the first thing that would occur to the average credit man in connection with co-operation is the exchange of ledger experience and

similar information with other members of his profession. This practice is of incalculable value if carried out in the proper spirit. It is a practice that has been consistently advocated by this Association ever since its inception, and I very much fear that because of this fact, a misconception in reference to it has grown up in the minds of some of our members. If this misconception is not eradicated and if we do not exercise great care in the manner in which we make use of this extremely valuable privilege, there is great danger that our campaign of education along these lines will receive a set back that it will take many years to overcome. In order to obviate the possibility of such a contingency there are some points that we should thoroughly bear in mind. In the first place, we should remember that this practice is simply and solely an exchange of courtesies, and that membership in this association does not carry with it the right to demand from any other member information that for any reason whatsoever he does not choose to give. I know of my own personal knowledge that there are some members who, while they are pleased to give their unqualified moral and financial support to the work of the organization in all other branches, will not open up their books to other credit men except where they have the express permission of the customer whose account is inquired about. Now while some of us may feel that this is a mistaken policy, and while it is within our province to make every effort to convince that such is the case, at the same time, we must bear in mind that we have no right to demand that they take any position other than what is prompted by their honest convictions. We should also remember distinctly that it is not and never was intended that the membership directory of this Association should take the place of a mercantile agency.

There has recently been brought to my notice a case that would seem to indicate that some members make a practice of sending out inquiries on every initial order they receive, to every member in the directory whom there would be any probability of having sold the party inquired about. I am free to say, that personally I view such tactics as a gross violation of this spirit of exchange of trade experiences as advocated by our Association. I have sometimes wondered if these parties ever heard of Dun's or Bradstreet's.

The case mentioned was reported to me by a member who, while he very rarely makes inquiries himself, is perfectly willing to reply to them within any reasonable limits. He became so thoroughly disgusted that he tendered his resignation, and it was only upon my urgent personal solicitation that he finally withdrew it. I cannot believe that it is at all necessary to send out a lot of inquiries to the trade on every initial order of \$25 or less, or that any desirable ends can be served by such practice.

Practically all of the results of the activities of this Association illustrate the value of organized effort, the key-note of our entire work being co-operation.

We are still struggling with the problem of improved mercantile agency service. It is still below the standard set by this Association as ideal, and we feel that many improvements are possible, but who is there among you, especially of those whose experience extends back for a period of fifteen or twenty years, who does not know that great progress has been made along these lines. I think you will all admit that the results already attained, at least to a great extent, would have been absolutely impossible, and further results extremely doubtful, without co-operation. And by this I mean co-operation in a broad way, not

only as between the members of our Association, but between the Association and the agencies, and also between each individual subscriber and the agency whose service he employs.

There are many men in this room who undoubtedly have a very vivid recollection of the chaotic state of our collection laws that existed some twenty or twenty-five years ago. Such as have will fully realize the improved conditions under which we are now doing business. We have our National Bankruptcy Law, passed and afterward amended, our Bulk Sales Laws, and we are now getting our False Statement Laws. In addition, it now begins to look as if we were to succeed in getting a Banking and Currency Law that will more fully meet the needs of this great country of ours.

We have experienced a steady and very marked improvement in business methods generally. More attention is yearly being paid to the necessity for adequate fire insurance, proper books of account, correct methods of figuring expense rates, costs of production and various other items that have heretofore frequently entered too largely into the unnecessary waste that has encumbered and clogged the commercial machinery, preventing it from running as smoothly as it should, and contributing to that present serious problem—"the high cost of living." There is absolutely no question but that much of the progress made may be attributed to the policy of concerted effort, advocated and consistently followed by the National Association of Credit Men.

But all this refers only to organized endeavor in a large way, and while this is well, and while we should do everything in our power to foster the spirit of co-operation among our fellow workers on the outside, we should none of us lose sight of the fact that "charity begins at home," and that there is ample opportunity for every credit man to develop this same principle of co-operation among the various departments of his own business organization. Owing to the peculiar nature of the work of the credit man, the value of this principle has been impressed more strongly upon his mind than upon the minds of the workers in any other line of business endeavor, and because of this fact, it is incumbent upon him to take the lead if he hopes to have the policy adopted and consistently followed by the other departments as well as his own. He will be obliged to make many advances himself, and will meet with many discouragements, but this should not deter him from continued effort to bring about the desired results.

This is an age of specializing, and unless guarded against very carefully, specializing is apt to cause one to get into a rut and become narrow minded. If we get into a rut we are liable to magnify our own troubles and overlook the fact that other people have difficulties to contend with that are just as serious as ours. In specializing it also follows, necessarily, that each man is obliged to concentrate his mind on his own particular line of thought to the exclusion of much knowledge of what is necessary in the conduct of other lines of work. We should bear in mind that if this is true so far as we are concerned, it applies equally to others.

Even among men who are connected with the largest business houses, there are very few who have the slightest conception of the number of points it is necessary to consider in order properly and intelligently to pass upon a credit risk according to modern, up-to-date standards. If we are to derive the full benefits of co-operation it is necessary for us to take into consideration this condition of mind—this point of view—of the other fellow. This is particularly important so far as the sales depart-

ment is concerned, and it is in our co-operation with every member of this department, from the sales manager down, that we may, if we handle the matter in a broad-minded spirit and exercise the necessary degree of patience, derive the greatest amount of benefit.

We must bear in mind that a salesman's entire training and experience has been radically different from ours, but we can make of him a valuable ally if we go about it in the right way. We must not only listen carefully to all he has to say about a customer, old, new, or prospective, but we must get and retain his confidence and make him understand that any information he gives us is carefully considered and given full weight. In order to convince him of this it may be necessary at times to show him all the facts on which we base a decision and to explain to him the process of reasoning by which we arrive at our conclusion.

One of the first things to do is to impress upon him the inviolability of all information used in your department. Impress upon him not only the fact that any information you give him must be in absolute confidence, but also that any information he gives you will be treated in the same manner. Explain to him the necessity of being more conservative in extending credit at some times than others, and teach him so far as possible the broad principles on which credit is based.

Also show him the importance of adequate fire insurance, correct books of account, proper cost systems, etc., so far as his customers are concerned. Get him to observe the habits and business methods of a customer and the condition in which he keeps his stock, and when he transmits this information to you do not fail to impress upon him the fact that it is of great value to you and that you fully appreciate the effort he has made to obtain it.

The salesman comes in frequent, direct contact with the customer, many times they become warm personal friends, and as a result he is often in a position to suggest improvements in the customer's business methods, which if offered by the credit man would be looked upon as the dreams of a theorist and probably received with scant courtesy.

I know there are some credit men who do not believe in this policy, and who feel that to take all of the trouble involved in the course I have mentioned would, in many cases, be a waste of time, but I am confident that such is not the case, and my own experience certainly supports me in this opinion. Any man of a mental caliber such as would make a good salesman could easily be made to understand and appreciate your position. Once arrived at that point, and once you have his full confidence, you will find him co-operating with you to the fullest extent possible, and you will be doing "team-work" that will surprise you. I know you will all admit that such a result would be well worth considerable time and trouble.

Of course it goes without saying that we should work in close harmony with the head of the sales department at all times. In fact, the heads of the credit and sales departments in order to obtain the best results should be in consultation almost from day to day. It is my belief that in neither line of work has a man arrived at his best until he feels fully as much responsibility for the other department as he does for his own. That may sound to you like a pretty strong assertion, but I am convinced that it is sound in principle.

Now I have given you some concrete examples of the benefits to be derived from co-operation, but there is something more than all this, something intangible that is difficult to describe. There is a broadening of our mental vision, a spirit of tolerance for the faults of our fellow

men, together with a feeling of sympathy for them in their misfortunes and a realizing sense of the fact that no man is sufficient unto himself. When we arrive at this state of mind we will derive the full benefits of our policy of co-operation.

But we will arrive at this state of mind only when we learn that a very necessary part of co-operation is a realizing sense of individual responsibility. Co-operation is all very well so long as we do not allow our minds become possessed of the idea that it can take the place of personal obligation. The credit man who enters into co-operation with others from selfish motives and with the idea that he is to get something



HARRY P. BOYD
National Bldg. Supply Co., Baltimore, Md.
Director

for nothing, or to obtain more than he gives, is doomed to disappointment; but if he keeps in mind the fact that the essence of all co-operative effort is the greatest good for the greatest number, that no man is sufficient unto himself and that a necessary part of co-operation is an adequate sense of personal responsibility, not only to others, but to himself and his conscience, he will find that co-operation is indeed his chief asset.

Mr. Dobson's paper was received with great applause.
Recess was then taken until 9.30 o'clock A. M. next day.

THIRD DAY

Thursday, July 19, 1913

MORNING SESSION

The morning session of the third day was called to order by President Salisbury at 9:30 o'clock A. M. Rabbi David Philipson, Ben Israel Temple, Cincinnati, pronounced the invocation.

Secretary Tregoe—I have a few announcements to make. We have received the following telegrams:

St. Louis, Mo., June 17, 1913.

H. A. Beckers,

Chairman National Credit Co-operation Committee.

St. Louis Association of Credit Men is forging to the front by joining her sister cities at both ends of the Mississippi river in the establishment of a reporting bureau. Contracts are pouring in and solicitors are not only encouraged by the results of the work of yesterday, but are enthusiastic over the prospects. Our reporting bureau will become a reality before you get back to town. While I cannot be with you in person, I am in spirit.

A. A. MAYNE,

Chairman Credit Co-operation Committee, St. Louis
Association of Credit Men.

Tacoma, Washington, June 17th, 1913.

J. H. Tregoe,

Secretary National Association Credit Men.

At to-night's monthly meeting of the Tacoma Association of Credit Men it was unanimously voted to send greetings to National Association now in session. We are heartily with you in spirit if not in presence.

(Signed.) J. H. WEER, President.

Denver, Colo., June 17, 1913.

J. H. Tregoe,

Sec'y and Treas., etc.

Greetings from Denver Credit Men's Association. We sincerely hope this convention will be the most successful ever held by the National Association. The election of Mr. Harry J. Thomas as a director of the National Association will more than please the Denver association.

WILLIAM H. WYLIE, President.

President Salisbury—The president and secretary recognize that due to responsibilities of the convention, it has not been possible to greet a large number of the visitors and delegates whom we would like to have met. We both desire to meet personally and to shake hands with every delegate and visitor to this convention to whom we have not had the pleasure of extending this greeting. So at the close of this morning's session we very cordially urge every one to whom we have not spoken, to meet us in room 200, and let us there look into your faces and say "how-d'ye-do" to you. (Applause.) The first order of business will be an address by Prof. W. A. Scott, of the University of Wisconsin, on the subject of "Banking and Currency Reform." (Great applause.)

Banking and Currency Reform

ADDRESS BY PROF. W. A. SCOTT, UNIVERSITY OF WISCONSIN,
MADISON, WIS.

The advocate of reform is in duty bound to show cause for action. The presumption is always in favor of the *status quo*. I must therefore begin my address with an account of the defects in our present banking and currency system.

One of these is our independent treasury system. Nearly three quarters of a century ago, the government of the United States decided to transact its financial affairs without the use of the banking institutions of the country. It was impelled to this action by the loss and inconvenience which it had suffered in consequence of the failure of many of its depository banks in the crisis of 1837, and the suspension of specie payments by all.

At that time it established vaults in several important cities of the country, decreed that in the future all receipts should be paid directly into those vaults as soon as possible after coming into the hands of its receiving officers, and that all expenditures should be paid directly from these vaults on drafts issued by the Secretary of the Treasury. It further decreed that in the future all dues must be paid either in specie or in those forms of currency issued exclusively by itself, and that all expenses must be paid in the same forms of currency.

This attempt completely to divorce its financial affairs from those of the rest of the country resulted in financial disturbance almost from the beginning. The reason is not far to seek. Under the system at that time inaugurated, whenever its receipts exceeded its expenditures, money was taken out of circulation and placed under lock and key in the government vaults. Whenever that condition continued for a considerable period of time, the amount of funds thus removed from the uses of the country increased and at times became alarmingly great. Whenever its expenditures exceeded its receipts, funds previously accumulated were poured out again upon the market. The necessary effects of the system, therefore, were to produce an alternation of monetary stringencies and monetary surfeits.

When the war between the states broke out, and it became evident that large sums of money must be raised by means of loans, a modification of the system was absolutely necessary. It was evident to all that the accumulation in the vaults of the government of perhaps a hundred million or more of currency, as the result of a bond issue, and the keeping of that amount from the uses of agriculture, industry and commerce of the country for even a short period of time would certainly bring on a financial catastrophe. When our national banking act was formulated in 1863, therefore, a clause was included authorizing the Secretary of the Treasury at his option to deposit in national banks any of the funds of the government except duties on imports, provided national banks would purchase government bonds and deposit them with him as security. In recent years that clause has been modified, so that at the present time the Secretary of the Treasury is authorized to deposit in national banks any of the funds of the government, no matter from what source derived, and to deposit as security other bonds rather than government bonds, generally speaking, those which are available for savings banks investments in the New England states.

This modification of the independent treasury system that was established in 1846 has mitigated to some extent the evils that were

early experienced. It has come far short, however, of entirely removing these evils. In the first place, the Secretary of the Treasury has never kept on deposit in national banks any of the funds of the government except surplus funds. Those required for every-day running expenses have always been, and still are, kept in government vaults. These funds amount to from one hundred to two hundred and fifty millions of dollars. As the system is administered, therefore, we keep all the while under lock and key, and withdrawn from the uses of the industries of the country, that enormous sum of money.

The chief defect of our independent treasury system at the present time, however, is the fact that it places the money market under the direct influence of the Secretary of the Treasury. He has complete freedom at practically every point in the administration of this system. It is he who decides whether or not funds accumulated in government vaults shall be deposited in national banks. It is he who decides which of the national banks of the country shall serve as public depositories. It is he who decides in which of these depository banks he will place the funds which he decides to take out of the treasury, and how much he will give to each. It is he who decides when funds already on deposit with the banks shall be removed and returned to the treasury, and how much shall be taken from this institution and how much from that.

In the exercise of his authority in these particulars, the banks of the country, and through them its agriculture, industry and commerce, are tremendously interested. The removal of millions of dollars from the treasury and their deposit in banks increases the reserves of the banks to just that extent and increases their loaning power to from four to six times that amount. The withdrawal of millions from the banks to the government vaults decreases the banks reserves to just that extent, and decreases their loaning power to from four to six times that amount. In view of an influence of such tremendous magnitude as this, therefore, the banks are obliged to take account of the way in which the Secretary of the Treasury will use his authority. On this point, however, they have absolutely no information, and do not and cannot know in advance what he is going to do. Indeed he does not know himself. He acts, when occasion for action arrives, and as his best judgment at the time dictates. No two secretaries of the treasury have followed the same policy in their administration of the system, and the same secretary has frequently changed his policy many times during his administration.

The result of all of this is that the banks are obliged to speculate in regard to the action of the Secretary of the Treasury in the administration of the independent treasury system. That is to say they must make the best guess they can as to what he is likely to do, and if they guess wrong, harm is certain to result. If, for example, they conclude as a result of their best judgment, that he is likely to increase his deposits with them and act accordingly, *i. e.*, increase their loans in the expectation that their reserves are to be increased from this source, and the secretary fails to do as they expected he would, they find themselves in an overloaded and over-expanded condition. On the other hand, if they conclude that he is likely to withdraw from them funds already on deposit and act accordingly, that is, cut down their loans in the expectation that their reserves are to be depleted, and the secretary fails to act in accordance with their prognostications, then they have unnecessarily interfered with the industry of their customers—unnecessarily disturbed industrial conditions.

To make a long story short, here is an institution which came into existence nearly three-quarters of a century ago, and as a result of circumstances which could not possibly occur again in our history, an institution which from the beginning has been a disturbing influence to the commerce and industry of the country, and we still have the institution with us. Must we keep it always?

A second defect in our currency system is bond secured national bank notes. We owe these notes to the financial exigencies in which the Washington government found itself soon after the outbreak of the war between the states. Additional revenues had to be provided and that suddenly. It had tried the expedient of inconvertible notes and their rapid depreciation suggested the necessity of some other revenue device. It was not possible apparently at once largely to increase revenues by means of taxation. There was no market for government bonds, because the very existence of the government itself was threatened. On the suggestion of the Secretary of the Treasury, therefore, the device of forcing the banks of the country to purchase government bonds as a condition of issuing notes was adopted, and our national bank system was the result.

Ever since that time we have had a currency which has been absolutely unresponsive to the varying currency needs of the country. It consists of four main elements, one of gold, one of silver, one made up of the legal tender notes which were issued in the early part of the war, and one of national bank notes. The gold element of our currency fluctuates constantly in volume. It increases with the output of our gold mines, and when our imports of gold exceed our exports. It decreases when the output of our gold mines declines, and when our exports of gold exceed our imports. There is not the slightest connection, however, between these fluctuations in the volume of the gold elements of our currency and the fluctuations in our currency needs.

These latter fluctuations are perfectly regular. The most important of them are seasonal. It requires hundreds of millions more currency to transact the business of this country in the fall of the year and in the spring of the year than in midsummer and in midwinter. There are also fluctuations which cover a long series of years, twenty or more. Ever since our national history began, we have had credit cycles, so called. In the first, fifteen or eighteen years of such a cycle, the amount of business transacted, and consequently the amount of currency required to transact it, is each year greater than that of the preceding year. Then comes a commercial and financial crisis which is followed by a series of years in each of which the amount of business transacted, and the amount of money which is required to transact it is less than that of the preceding year.

The gold element of our currency, however, in its fluctuation, has no reference either to these seasonal fluctuations in our needs or to these fluctuations which characterize the credit cycle. We are just as apt to have a maximum of gold circulation at those periods of the year or at that time in the credit cycle when our needs for currency are at the minimum as to have the maximum gold currency and the maximum need coincide with each other.

The silver element in our currency amounts to something over five hundred millions of dollars and is practically stationary. There has been no considerable addition to it since we coined the last of the silver bullion that was purchased under the authority of the Bland and the Sherman acts. This element, therefore, does not adjust itself to any

changes in our currency need, but remains the same year in and year out.

When we resumed specie payment on the first day of January, 1879, there remained in circulation three hundred and forty-six millions and some six hundred odd thousands of dollars of the legal tender notes that were issued during the war period. The volume of these notes has not changed one dollar in amount from that day until this, and will not change until Congress sees fit to legislate concerning these notes, and for such legislation there is no prospect. Here then is another stationary element in our currency which fails to adjust itself in any way to changing currency needs.

There remains for consideration our national bank notes, which, like the gold element in our currency, constantly fluctuates in volume. It increases with the increase in the number of our national banks, the law requiring that when a new national bank is organized, it must invest a certain proportion of its capital in government bonds. Those bonds are deposited with the Comptroller of the Currency, and notes issued against them. Since the number of the national banks grows steadily, our national bank circulation increases from year to year. Another cause of fluctuations in our national bank note circulation is fluctuations in the price of government bonds. When these prices fall, national banks find it profitable to purchase additional quantities and to increase the amount of their circulation. When they rise, national banks find it profitable to retire a portion of their circulation and get back their bonds in order to sell them upon the market and to realize the difference between the price at which they purchased them and the higher price ruling on the market at the time. Our national bank circulation, therefore, fluctuates with great regularity with the price of government bonds, but there is no more connection between these fluctuations and our currency needs than there is between the fluctuations in the volume of our gold currency and our currency needs.

Taking our currency as a whole, however, consisting as it does of two elements which constantly fluctuate in volume, but from independent causes, and of two which are stationary, as a whole, it completely fails to adjust itself to our varying currency needs. In fact, in its fluctuations it is just as apt to aggravate as it is to alleviate those needs. We are just as apt to have the maximum volume of our currency at the time of minimum need, and the minimum volume at the time of maximum need, as we are to have the maximum need correspond with the maximum volume, and vice versa.

The consequences of this failure of our currency to adjust itself to our needs is that with great regularity during the seasons of greatest demand, notably in the fall of the year, the volume of our currency is inadequate to meet our needs. The result is that the persons whose business it is to finance the moving of our crops are unable to command the resources necessary for that purpose. A depression of prices follows accompanied by enormous losses on the part of those who are obliged to bring their crops to market at that particular season of the year.

In the seasons of minimum need we have more currency than is required. It finds its way into local banks through the process of deposit. Finding no use there, it is transferred to the reserve centers and by them to the only market in the country where funds can be loaned at call, *i. e.*, to the stock exchange of New York City. The necessary effect, therefore, of a currency like ours, which fails to adjust itself to our varying currency needs, is the retardation of

the legitimate industry of the country during the period of maximum demand, with resulting great losses to the producers of the country, and during the seasons of minimum demand the stimulation of that industry, which we would all agree least deserves and needs stimulation, namely, speculation on the New York stock exchange.

A third serious defect in our currency system is our present method of administering bank reserves. We have in this country in the neighborhood of twenty-five thousand bank institutions, each one of which is obliged by the conditions under which it operates, as well as by law, to keep locked up in its vaults an amount of currency varying from six to twenty-five per cent. of its deposits. In the aggregate the amount of currency all the while under lock and key in the vaults of our banking institutions is in the neighborhood of a billion and a half of dollars. This enormous sum is absolutely removed from any possible use of the agriculture and industry and commerce of the country. Our banking laws prescribe that when the reserve of a bank falls to the minimum prescribed, it must immediately stop discounting, which means that it cannot loan a dollar to any person, no matter how great his need, how important the industry he may represent, or how good the security he may be able to offer.

This enormous sum of money is not even available for use in times of stress. In fact it can only be used after banks have gone into the hands of receivers and the process of financial liquidation has begun.

This system of administering our bank reserves is chiefly responsible for the bank panics, or financial panics as they are sometimes called, which so frequently afflict this country. This and every other great commercial country is subject from time to time to commercial disasters caused by the failure of commercial or banking institutions or both. When such failures occur, banks and business concerns commercially connected with the failed concerns, are necessarily embarrassed. In this country under such conditions a bank panic is likely to result. It is certain to result if the disturbance is of considerable magnitude, for the reason that the amount of reserves held by the banks immediately affected, is inadequate to meet their demands, and there is no means provided under our system by which they can increase their cash resources by the sale or discount of their portfolios. The result is that when such an event occurs, the banks in the affected region speedily call in their balances from their reserve agents, collect loans from their customers as fast as they fall due, and throw upon the stock market such bonds as they may possess and as are salable. Banks in their vicinity, instead of coming to their assistance, fearing that the pressure will come upon them, hoard their reserves, call in their balances, and cut down their loans to customers. This transmits the pressure in a greatly aggravated form to the reserve cities, the banks of which are obliged to adopt the same practices, and these centers in turn transmit the pressure to the central reserve cities. Thus the banks of the whole country are thrown into a panic, the result of which is failure of thousands of perfectly sound business concerns and frequently the temporary closing of the doors of perfectly sound banks and the general suspension of specie payments throughout the country.

Another feature of our reserve system is worthy of consideration in this connection. In addition to the 6 per cent. of its deposits which every country bank is obliged to keep locked up in actual cash in its vaults, it must keep there 9 per cent. more in actual cash or it is per-

mitted to keep this amount on deposit with its reserve agents in the so-called reserve cities. Likewise the banks in the reserve cities, in addition to the $12\frac{1}{2}$ per cent. of their deposits, which they must keep under lock and key in actual cash in their vaults, must keep $12\frac{1}{2}$ per cent. more there, or may keep that on deposit in banks in the central reserve cities. The general practice of banks is to keep this portion of their reserves on deposit elsewhere because they get a small rate of interest upon it in that case, whereas if they kept it locked up in their vaults, they would get nothing from it at all.

The banks which hold these reserves subject to the call of the banks which deposit them, must obviously invest them in such a form that they can be recalled at any moment. There is only one market in the country in which investments of this kind can be made, and that is the Call Loan Market of the New York Stock Exchange. The result, therefore, of this feature of our reserve system, is the sending of hundreds of millions of funds to New York City for investment in speculation on the New York Stock Exchange. These funds are just as effectively removed from the uses of the agriculture and industry and commerce of the country as they would be if they were under lock and key in the vaults of banks or of the United States government, because the only use to which they can be put is this one very special use, that of the purchase and sale of stocks on the New York exchange.

In addition to the cash which it keeps locked up in its vaults, and the funds which it keeps on deposit with its reserve agents, every bank in a reserve city and thousands of country banks realize that they must keep on hand some high-grade securities which can be thrown upon the market in case of need. At the present time the only class of securities which answers this need is a high-grade bond which is listed upon our stock exchanges. In the aggregate, therefore, the banks of this country are obliged to carry, as a measure of safety, hundreds of millions of bonds of this class. The funds invested in these are also removed from the uses of the agriculture and industry and commerce of the country. By their investment in bonds they are devoted, not to the current processes of industry and commerce, but to permanent investments, such as the construction of railroads, the digging of mines, the construction and equipment of factories, etc., etc.

Considered as a whole, therefore, our method of administering bank reserves is the most wasteful and uneconomical, and inadequate that could possibly be conceived. No one can contemplate it in all of its aspects without realizing that its radical transformation constitutes one of the most serious of our present-day problems.

Another defect of our system consists in the constant confusion of commercial with investment banking. Both of these forms of banking are not only legitimate but absolutely necessary in a great commercial nation like ours. The function of commercial banks is to furnish the greater part of the country's medium of exchange and to distribute and administer that portion which is derived from other sources. The function of investment banks, on the other hand, is to serve as an intermediary between those who have capital to invest and those who wish to employ it in industrial enterprises of a permanent character. Obviously the funds which are available for the use of investment banks are the savings of the community, and the capital which comes to us for permanent investment from foreign sources.

Very few bankers in this country realize the distinction between these forms of banking, and most of them carry on both, sometimes

without being conscious of it. The ordinary bank arranges with its customers for a certain line of loans, and so long as the customer keeps within the line established does not inquire carefully into the purpose for which the borrowed funds are used. In establishing the line, the banker will make certain that the customer is good for that amount, and so long as he has that assurance considers his loan perfectly safe. He does not realize that when a customer, however great his property may be as compared with the amount of his loan, receives a current checking account against a loan, the proceeds of which he invests in a permanent form, he is endangering the bank. The ability of a commercial bank to carry deposit accounts to from four to six times the amount of cash that it keeps on hand depends entirely upon the offsetting of credits on its books; in other words, depends upon the use of the funds which it loans in the processes of current commerce, which will each day bring back into the bank in the form of cash or checks, a large proportion of the amounts which it credits as the result of its loans. If the banks of the country, as a whole, on a considerable scale, grant checking accounts against investment loans, they are certain to have demands made upon them which they are unable to meet except by forcing liquidation through the sacrifice upon the market of their own securities or by forcing liquidation upon their customers. They usually manage their affairs in such a way as to be able to force liquidation upon their customers, because they usually refuse to grant loans for longer periods than from thirty days to six months or a year, even though they expect and do normally renew these loans when they fall due, so long as the customer keeps within his line. When these periods of liquidation come, therefore, they are able to refuse the renewal of paper which they ordinarily would renew without question, and thus to force the liquidation upon the customer.

Here we recognize one of the chief causes of commercial crisis. Unconsciously through the practices of our banks, more funds are invested in permanent form than the current savings of the country and the importations of capital warrant. These practices may go on unnoticed for a series of years through the shifting of responsibility from one bank to another, but the time must come when liquidation is forced, and that is the time when the commercial crisis is at hand.

We have heard much in recent times of a money trust which some claim exists in this country. Whether or not this is the correct term to describe it, a condition exists which deserves the serious attention of the country. Within the last fifteen years a process of concentration in the control of our great industries of national scope has been in progress, which has resulted in the condition which most of our people have in mind when they talk about the money trust. Fifteen years ago there were in this country in the neighborhood of two thousand independent railroad corporations operating about two hundred thousand miles of track, capitalized at about fifteen billions of dollars. These railroad companies are to-day practically all controlled by a small group of financiers in New York City. While this process of transformation in our greatest transportation industry was taking place, practically the same thing was happening in all our other great industries of national scope. We ordinarily refer to it as the trust movement, which is but another way of describing a movement by which, in all of our great industries of national scope, thousands of concerns which a few years ago were independently managed and in competition with each other, are now under the control of these same New York financiers.

The execution of these gigantic enterprises created a financial problem, the magnitude of which has never been approximated in this or any other country at any time in history. For the solution of this problem, our financial institutions proved entirely inadequate, and it became necessary for the financiers who were back of these enterprises to transform these institutions. They began by the construction of huge trust companies in the city of New York, which at that time were not subject to the same legal limitations as were the national and state banks. There followed a period of cut-throat competition between the trust companies, the national banks and the state banks, which resulted, as cut-throat competition always does, in the combination of these institutions, and this combination was brought about by the very same men who had brought about the concentration of control in the railroads and in the trusts. We are therefore today confronted by two colossal confederations, at the head of one of which is the National City Bank of New York, and at the head of the other, the National Bank of Commerce, each one controlling its share of the railroads, the trusts and the financial institutions of New York City. On matters of great financial importance to them, these two groups act in substantial harmony.

This condition has brought with it a serious problem. The bank reserves of the country which find their way to New York City for investment in call loans on the stock exchange are deposited in, and invested by, a small group of banks, every one of which belongs to these two groups. The bonds in which the secondary reserves of the banks of the country are invested are for the most part the bonds issued by the enterprises which these financiers control, and they must be sold, if at all, upon a stock exchange which to a very considerable degree, these financiers control. It is this condition of things that has placed the banks and other financial institutions and the railroads and trusts of the country in a state of semi-vassalage to a small group of men in Wall street, and it is this condition of things that is responsible for the money trust investigation and for the deep concern which the people of our country feel over this matter.

If my diagnosis of our financial ills is even approximately correct, the lines along which reform must be sought are not difficult to trace. We are suffering from a wasteful, uneconomical, dangerous reserve system, which places under lock and key the cash resources of the country, and refuses to give them up at the time of greatest need. The problem is to get these resources out from their hiding places, and to make them available for use, not only in times of pressure, but in ordinary times. It is a great mistake to suppose that bank reserves are intended to be locked up and not used. They are simply that portion of the cash resources of the country which are to be used in a certain way and for a certain purpose, namely, to form the basis of that enormous credit mechanism which is operated by the commercial banks of the country. This machinery is essentially a unit, and the bank reserves of the country must be co-operatively used so that they may be made available at the time and in the place and in the amounts that they are needed.

We are also suffering from a currency which fails to adjust itself to our varying currency needs. The problem here is to supply an element which will automatically adjust itself to these needs, increasing as they increase, decreasing as they decrease.

We are also suffering from the confusion of investment and commercial banking. The problem here is to draw a sharp line between

the two, so that every banker will recognize it, and every business man as well. It is not necessary that we should separate into different institutions these different kinds of banking. There is no reason why both should not be performed by the same institution provided the distinction is kept clear, and the two lines of business are carried on in such a way that no more than the savings funds of the country are put into investments of permanent form.

We are also suffering from the control of our banking reserves and through them to too large a degree, of our financial institutions through a small group of men, whose interests are primarily not in the agriculture, industry and commerce of the country, but in the carrying out of projects for the consolidation and centralization of control of our great industries, and in the stock market speculation which is the necessary accompaniment of such operations. The problem here is to take our banking reserves out from the control of these hands, or the hands of any other private interests and to put them into the control of the people of the United States.

These problems are not peculiar to the United States of America. They have been met in one form or another in all the great commercial countries of Europe. Everywhere except in this country their solution has been found in just one way, and that is, in the central bank. The Bank of England, the Bank of France, and the Imperial Bank of Germany, in their respective countries, perform precisely the functions which I have just said ought to be performed here. In each one the central bank holds the bank reserves of the entire country. In each one the central bank acts as depository and disbursing agent for the government. In each one the central bank furnishes a national market for commercial paper, in which any commercial bank that conducts a legitimate business can at any moment turn into cash the greater part of its resources. In each one the central bank is permitted to issue notes against these commercial securities and thus to furnish the country with a currency which is automatically elastic. In each one the control of the central bank is of such a character that its services are at the disposition of the commerce, industry and agriculture of the country, and without discrimination are available on the same terms to all sections and to all classes of people.

What progress have we made in the solution of this question in this country? When we were still smarting from the hurts inflicted by the crisis of 1907, Congress appointed a Monetary Commission and imposed upon it the task of studying these problems and devising a remedy. That commission devoted four years to its task, and a year ago last January made its report, embodying therein a bill, the passage of which it recommended. That bill was the result, not only of the best thought and work of the men who constituted that commission, but of a vast array of expert talent drawn from all quarters of the globe.

The plan of reform proposed in the bill, took account of our banking history and of our conditions. You are all familiar with it. It proposed the establishment of local associations of banks and the grouping of these into regional associations, and the grouping of these regional associations into a national association with its head office at Washington. The functions assigned to this organization of the banking institutions of the country were essentially the same as the functions performed by the great central banks of Europe—*i. e.*, the rediscount of commercial paper for banking institutions, the holding and administration of the bank reserves of the country, the service as depository and disburs-

ing agent of the United States government, the issue of notes against commercial assets, and a system of control was devised which, in the opinion of the commission, and of most other persons who gave it careful attention, would prevent its domination by any group of interest.

That measure was not perfect in all particulars. Indeed, it had some defects which, in my judgment, were serious, but in its main features it was excellent, the product not only of the experience of the world but of the special experience of our own country. It deserved a much better fate than has attended it.

Since that report was published, we have passed through an exciting presidential campaign, in which the platforms of every party, with one exception, condemned the plan of the Monetary Commission. The result of that campaign was the transfer of the control of our national affairs to the Democratic party, the platform of which not only condemned the Monetary Commission's plan, but declared itself opposed to any plan involving a central bank.

The problem which confronts us now, therefore, is a peculiarly difficult one. The world's experience, and the judgment of the best expert talent which we have, indicate that the central bank is the proper solution of this problem. That, however, we cannot have. What shall we substitute in its place? Some solution must be devised. We cannot drift; we must not permit this country to pass through another great commercial crisis before our banking machinery has been radically modified.

Within the last few months much thought has been given to the solution of this question along the lines marked out by the Democratic platform, and I believe that one has been found. It is possible, I believe, to organize regional banks, which in their respective sections, shall be authorized to hold the reserves and rediscount commercial paper for the banks. These regional banks can then be provided with a central organ located preferably in the Treasury Department, which can serve them as an agent in the issue of notes against commercial assets, and in the co-operative employment of the bank reserves in their custody, and in performing such other services as are national in their character and beyond the power of regional institutions.

It is not necessary that this central board shall itself have a capital or engage in the banking business. It could be purely an agent of the regional institutions, exercising a large degree of control over them. In no sense, therefore, need it be a central bank, but through its agency acting with the regional institutions, the various functions which I have outlined and the performance of which are absolutely essential for the future prosperity of our country, may be performed.

At a recent meeting of the National Chamber of Commerce held in Washington, the chairman of a sub-committee of the Banking and Currency Committee of the House expressed the opinion that the speedy accomplishment of banking reform in this country depends upon the attitude of its business men and bankers. He expressed the fear that the will and desire of the business men of the country had not yet made itself evident in Washington in such a way as to convince Congress that speedy action on this question was needed or desired. If that statement is correct, gentlemen, it behooves us to give heed and speedily to make known to our Congressmen and Senators the sentiments which we hold on this subject. I believe that if every business man and banker in this country who feels that banking reform is a necessity, and that it should not be delayed, should make that fact known to his representatives in

Congress, we should have an adequate banking law placed upon our statute books before this special session has come to a close. Will you not do your share in bringing about this result? (Great and prolonged applause.)

E. F. Sheffey, Lynchburg—I have the honor to come from the city which is the home of the chairman of the House Committee on Banking and Currency, the Hon. Carter Glass. I had hoped it might be possible for him to be here to speak to this convention on this great subject. I can say to you, however, that he stands four square on the thought of giving the American people genuine reform touching this great question, and I am sure that that reform will be worked out in a manner that will be satisfactory to the American people. Mr. Glass is a business man who has helped us with reference to keeping on our statute books the bankruptcy law; helped us to change that law and make it a better law, and he will help us further in this connection.

I want to move a rising vote of thanks to our friend from Wisconsin for the great address he has given us.

Unanimously carried by a rising vote amid great enthusiasm.

President Salisbury—The next order of business is the report of the Banking and Currency Committee, D. G. Endy, chairman, Philadelphia. (Applause.)

Mr. Endy—Before I read this report I want to say to you that this convention has at last struck its gait. We are now upon a subject that is of greater importance than anything that has been before this country since the civil war. There is no question about it. I want to say to you, do not let us slight this subject. If there is anything that we must sidetrack let us do it, but do not let us sidetrack the banking and currency question. Before I start reading I want to thank the board of directors and the officers and particularly Mr. Tregoe and Assistant Secretary Orr, for the great assistance they have given me in this matter. The great measure of success that we have attained in this banking and currency matter is due very largely to our genial secretary-treasurer and his assistant, Mr. Orr. (Great applause.)

There was a summary written for this report, but I am going to read the original report, if you will permit me. I will read the report as first written.

Report of the Banking and Currency Committee

To the Officers and Members of the National Association of Credit Men.

Your Banking and Currency Committee has had an active year in the study of its subject and in the consideration of methods of arousing interest among the members in reorganizing our cumbersome, inadequate, and unscientific banking and currency system.

Those who undertake to introduce into our banking and currency system changes which will give American commerce those features so much needed to protect against the tremendous cataclysm of money and credit panics such as paralyzed the country's business in 1907, meet at the start two serious obstacles, first, that which for want of a better name we may call provincialism, the false idea of loyalty to one section as against a feeling of patriotism which overrides all sectional thought and second, a lack of enough information regarding economic and banking laws to sift out of the many proposals for reform those based on sound economic doctrine. Your committee has found in its work, however, that there is

little sectional thinking in our Association, our members generally, wherever located, appreciating the singleness of interest among the business men of the nation in all that pertains to credit and that the progress and upbuilding of all the states is a matter of common concern.

The first problem which your committee tried to solve was to get the members to realize how far more important to the merchants, manu-



DANIEL G. ENDY
Artman-Treichler Co., Philadelphia, Pa.
Chairman, Banking and Currency Committee

facturers, and citizens generally is a scientific system of banking and currency than it is to the banking fraternity itself for the committee found it generally acknowledged that appeals for banking legislation would go unanswered until business interests were awakened to the fact

that they were less able to take care of themselves in times of threatened suspension of specie payments than were the banks. The committee felt that it could best meet this problem by issuing primary leaflets so brief that they would take but a moment to read. In a subject the discussion of which quickly leads into technicalities and a demand for an understanding of economic law, leaflet education has stern limitations but we have good reason to believe that our banking and currency leaflets, the first entitled "Why the Existing Banking and Monetary System of the United States Retards Commerce and is a Menace to Every Business Man," and the second, entitled "What Must be Provided by New Legislation if our Banking and Currency System is to be Made Adequate and Safe," met a real need. They were widely distributed by our local associations and were given considerable publicity by the press. That they served to arouse interest among our members is indicated by the intelligent discussion of banking and currency reform among our local associations and the readiness with which these associations and their individual membership responded to our requests that their representatives and senators in Congress be addressed upon the need of a reorganization of our fiscal arrangements.

We believe the educational work which this Association and others have been carrying on has accomplished at least this much, that business men quite generally understand the weaknesses which condemn the present system and do not have to be told by long argument, first, that our currency is inelastic, that it neither decreases in times of depression and between seasons of heavy merchandise movements nor increases to meet the demands of crop moving periods; that is, has no such relation to trade as do checks drawn against deposits or acceptances arising out of legitimate business transactions; second, that our laws with reference to reserves force a condition during panic and threatening panic periods precisely the reverse of that which gives soundness and safety, namely a sudden gathering in of its resources by each banking institution causing the splitting up of the available reserves of the country into small units at the moment when there should be freedom and encouragement to co-operation and when reserves should be massed in one reservoir of that strength which inspires absolute confidence, a reservoir such as the wealth of this country makes easily possible; third, the fact that there is a totally unscientific separation between the United States treasury and the commerce of the country, a separation which loads unnecessary burdens upon the people and has not infrequently put the treasury in a position to endanger the country's industries; and fourth, that there is no fixed market for the rediscount of commercial paper to which bankers may go for relief when it is most needed.

We believe that the activity of your committee along the lines of primary leaflet education in banking and currency has placed a large number of our members in a position to use their influence intelligently in urging forward to sound reorganization in this department and keeping off the statute books legislation not built on sound experience and principles.

Feeling that the claims of our Association for recognition should be brought before Congress, your committee in December asked for an opportunity to appear before the sub-committee on banking and currency of the House of Representatives. An invitation was graciously extended by that committee and your chairman together with one member of the committee, Charles D. Joyce of Philadelphia, Secretary Tregoe, and

Assistant-Secretary Orr of the National Association had an all day session with the committee during which we endeavored to point out the reforms which we believe the business interests of the country require. We emphasized the peculiar interest of the Credit Men's Association in this subject and the potentialities of the Association in helping to proper legislation. The treatment accorded your committee was all that could be asked and Chairman Glass repeatedly expressed the hope that there might be evolved out of the present discussion a banking and currency measure for the passage of which the Association in all its parts might extend its fullest influence.

It was the sincere hope of your committee that we might have Chairman Glass with us at this time. He expressed pleasure in accepting our invitation to address this convention but just before we wrote this report, we received word from him that the demands made by his committee work upon his time and strength forced him regretfully to cancel his engagement with us.

Reports from Washington make it clear that both President Wilson and leaders in Congress recognize the prime importance of banking and currency legislation and that in all probability there will be offered before the present Congress, certainly at its first regular session and not unlikely at the special session, a bill which will be advanced as an administration measure. As we write this report, nothing authoritative as to the proposed bill has been given out though newspapers have given outlines of provisions which they understand are likely to be embodied in the bill. Your committee, however, does not feel justified in entering upon a discussion of rumors but we express the sincere hope that President Wilson and the dominant party in Congress may look at this question unprejudiced by the dictates of political expediency and insist upon giving to commerce and the people a measure which shall embody sound principles of elasticity; shall give mobility to reserves so that section will not be forced to struggle against section for reasons of self-protection; shall establish a scientific relation between the United States treasury, the government, and commerce such that treasury transactions cannot menace commerce as they heretofore have; and arrange for a fixed and dependable market for the rediscount of commercial paper.

Here is a question calling for the soundest patriotism and the broadest statesmanship. In it there is no room for party consideration or party advantage. The National Association of Credit Men must insist with all its power that this be the spirit in which the authorities at Washington approach the most important question that has occupied their attention in recent years.

Your committee believes it is essential that the Association urge upon Congress the necessity of implanting in the reorganized banking system a form of central control such as will give this country the power to protect its stock of gold and attract gold from other countries when needed and we can see no way in which this can be brought about through a regional system unless there be superimposed some central organization. The demand for the yellow metal in all the markets of the world such as we have been witnessing for several months is likely to continue indefinitely and the difficulties the nations are having in financing themselves makes it imperative that this country be put in a position to protect itself against such heavy withdrawals of gold as we have recently been making at the behest of European financiers.

And again, the Association cannot lay too much emphasis upon the

examination of our banking institutions. It should insist that provisions for most exacting examination be worked out and a new law enacted so that any tendency of our banks to overloan or to tie up their funds dangerously in a form which cannot be easily liquidated may be stopped before it is too late to prevent losses.

The Banking and Currency Committee of the Association has an important duty. Let it continue earnestly to prepare the minds of the members that they may do their part in this great task of banking and currency reform.

In conclusion we offer the following resolutions:

I

"Resolved, That the National Association of Credit Men in convention gives its approval to the attempt of the Banking and Currency Committee to arouse the thinking business men of the nation to the necessity of a reorganization of our banking and currency system and heartily endorses the committee's efforts along the lines of primary educational leaflets and urges that other leaflets along similar lines be issued.

II

"Resolved, That the Association continue to urge upon the President and Congress the necessity of prompt legislation looking to banking and currency reform and as an Association stand firmly for a strictly non-partisan treatment of the subject and insist that all classes and sections be given an opportunity to be heard in framing legislation;

III

"Resolved, That the Association do all in its power to incorporate into any reform measure a proper method of protecting the country's stock of gold against what is certain to become an increasingly insistent demand on the part of other nations of the world;

IV

"Resolved, That the Association stand for provisions requiring highly efficient examination of all banking institutions and giving power to the proper authorities to force every bank to do business along safe lines."

Respectfully submitted,

CHARLES D. JOYCE,
O. J. SANDS,
A. H. DECATUR,
G. W. WHITE,
D. G. ENDY, *Chairman*.

Mr. Endy interpolated the following as he read his report:

No system will be perfect unless the United States treasury is taken out of the banking business. I am glad Professor Scott has dwelt on that.

You might almost think Professor Scott had written this report. (Laughter.)

Mr. Endy—I move the adoption of the report and the resolutions as read; but before any remarks are made on the subject I would ask your gracious permission just two minutes longer to read an extract from an article written by one of the ex-treasurers of the United States,

simply to bear out our friend who read this splendid address, that we must get rid of the United States treasury system as operated at present.

This is an extract from an article written by Secretary McVeagh.

TREASURY MENACE TO NATION'S TRADE.

SECRETARY MCVEAGH.

No reform of our banking and currency system can be adequate which does not take the United States treasury out of the banking business. We have become so accustomed to the banking operations of the treasury that we have not realized how it has developed into a powerful central bank. The treasury has greater power and greater assets than the Bank of England, which for years has been the institution at the foundation of international credit. The treasury is the strongest bank in the world as regards metallic reserves. Its enormous store of the yellow metal is not approached by that of any of the great central banks of Europe. At one time the treasury was the greatest note-issuing bank, and it might become so again.

The Bank of England, regarded throughout the world as the strongest of all banking institutions, supports the great structure of English credit on a gold reserve of less than \$200,000,000. Our treasury in addition to \$1,000,000,000 of gold held in trust against gold certificates, carries a net gold surplus varying from \$200,000,000 to \$300,000,000. Our treasury's hoard of idle gold, in other words, would support a greater bank than the Bank of England.

Imagine the storm of indignation that would be aroused if the railroads of this country should insist on being paid for transportation in money, and then hoard this money for weeks and months in strong boxes. The gross receipts of our railroads are in the neighborhood of three billions a year. If the railroads hoarded their receipts in money for only four months they would pile up \$1,000,000,000, or nearly a third of all the money now circulating in the country. If this money were taken out of the vaults of the banks, it would mean such a panic as no country has ever seen or ever will see.

The funds held by the great European governments vary from \$25,000,000 to \$50,000,000. The coin bullion and paper money held as assets in the United States during the present administration has varied from \$300,000,000 to \$350,000,000. In other words, nearly one-tenth of all the money in the country is held idle in the treasury vaults. If this money were all deposited in the banks it would increase their reserves 20 per cent.

Charles D. Joyce, Philadelphia—I second the motion to adopt the resolutions of the committee.

President Salisbury—We shall now have the open parliament on this report, to be led by H. W. Hardy, Chicago, Ill.

Mr. Hardy—After Professor Scott's able address, there is not much left for a layman to say. When a committee makes a report such as we have before us, it undoubtedly feels conscious of work well done.

I have carefully read and reread this report and approve every word of it, and believe the committee has administered its work wisely and that its succeeding committee should carry it forward upon the same progressive lines.

It is only through education that we can learn, and the education by pamphlet and addresses along the line of banking and currency reform

should be continued until we have a satisfactory law on our statute books, one that will meet the needs of the merchant, manufacturer, farmer and banker alike.

We witness the results of the lack of such a law every year and the country is at this time feeling its need and the President and Congress should see that there is no delay and that a law be passed before we reach another crop-moving period, for that is the time when we feel the inelasticity of our currency the most.

This year we have as a safety valve the Aldrich-Vreeland Bill of 1908, sometimes called the "Emergency Currency Bill," but this bill will expire by limitation June 30th, 1914, which is only another reason why there should be some definite action by Congress this year. The protecting of our gold supply is part and parcel of our national currency problem and should most certainly be considered in any banking and currency reform legislation.

The national banks of the larger cities are alive to the benefits of frequent and thorough examinations and have besides the examination made by the National Bank Examiner, the clearing house examiner and in most cases they have their own auditors and if this rigid inspection is good for the larger national banks and it surely has been proven that it has been, it should be just as important that all banking institutions be examined often and thoroughly.

This is a question that has been the subject of discussion by the legislators of many of our states and is too broad to discuss here at length, therefore, I want to second all four of your committee's resolutions and earnestly recommend their adoption. (Applause.)

President Salisbury—J. H. Edwards, of Youngstown, Ohio, has a word on the subject matter of this report.

Mr. Edwards—It seems very presumptuous on my part to say anything after this exhaustive report and after the comprehensive and eloquent address by Prof. Scott. It seems to me the last word has been said on this subject by the committee and by the speaker to whom we have listened. Surely in the estimation of the business men of the country, this is the leading question before the country to-day; at least it is one of the two leading questions. There may be some of us who consider another proposition of more importance, but we all agree that it is one of the two most important questions before the country at this time, and as a member of the Association of Credit Men of the United States it is a matter of very great pride to me that the administration during the past year has been pioneering the situation along the lines of a discussion of this great question.

It is a source of satisfaction to the National Association that the interest that is now aroused in the banking and currency question is largely due to the officers and the committee of the National Association.

There is no doubt but that some reform will be immediately started, and it is of very great importance at this time that the question be considered and approached and discussed entirely aside and apart from all ideas of party expediency or advantage, and I think the committee has covered the matter admirably in one section of the report, where it says:

"Here is a question calling for the soundest patriotism and the broadest statesmanship. In it there is no room for party consideration or party advantage. The National Association must insist with all its power that this be the spirit in which the authorities at Washington ap-

proach the most important question that has occupied their attention in recent years.

Might I inject here just a word for our own little home town? At our recent annual dinner we gave the entire session over to the discussion of the currency and banking question, and we were honored by the presence of Senator Theodore E. Burton, of Ohio, member of the National Monetary Commission, and one of the most distinguished students of the question in the country at this time, and I have this letter from him. He says:

"One gratifying feature of my trip to Youngstown has been the very wide attention given by the newspapers to the address on that occasion. To illustrate the very considerable mention made of your meeting, one of the most extended notices were in a Sacramento paper. I am thinking of publishing this address, and take it there would be no objection on your part."

I very heartily second the motion to adopt the resolutions offered by the committee.

George R. Barclay, St. Louis—I wish to offer the following resolution:

"Resolved, That there be forwarded by this convention to President Wilson, Secretary McAdoo, and congressional leaders, including Senator Owen and Representatives Glass and Henry, the following message by telegraph to-day:

"The National Association of Credit Men comprising within its membership a large fraction of the strong, progressive business houses of the country, recognizing the unjust and unnecessary penalty imposed upon business interests and enterprise of the nation through the uncertainties caused by the inadequate and unscientific banking and currency system, in order that our commerce may be safeguarded against unnecessary waste, most respectfully petition that there be taken under serious consideration and enacted at this special session of Congress, a banking and currency measure which shall correct the inadequacies and weaknesses of the existing system. This demand does not arise from any selfish or unfair interest or combination, but from the recognition that the reform of our banking and currency laws is essential to the welfare of all the people."

I move its adoption.

Seconded.

A. H. Dobson, Utica—I suggest that Mr. Barclay amend his resolution slightly, where he refers to the Association as comprising a large fraction of business houses of the country, and instead make it read "the largest commercial organization in the United States."

Mr. Barclay—I accept that suggestion.

Secretary Tregoe—We might amend it further by saying the largest commercial organization in the world.

President Salisbury—if you don't look out the secretary will get it too large.

Motion unanimously carried.

Resolution unanimously adopted.

President Salisbury—We shall now consider the report of the Committee on Banking and Currency.

Secretary Tregoe—I received a communication from Senator Burton. If any of you have not read Banking and Currency Leaflets 1 or 2,

copies may be found in the registration room. These copies were sent to every member of Congress.

The letter is as follows:

United States Senate Committee on Immigration.
National Association of Credit Men, June 16th, 1913.
41 Park Row, New York City.

GENTLEMEN—Kindly send me copies of your leaflets, I specially mean your Banking and Currency Leaflets 1 and 2. They contain in very brief space the essentials for reform in banking and currency; too much stress cannot be laid upon the fact that what is needed is to utilize bank reserves for the whole country. The currency problem, while important, is, I think subordinate to that.

Yours respectfully,

T. E. BURTON.

E. F. Sheffey, Lynchburg—I move the adoption of the following resolution:

Resolved, That the secretary of this Association be and is hereby instructed to telegraph to the Hon. Carter Glass the regrets of this body that he was unable to be present in person and address this convention."

Motion seconded and unanimously carried.

The resolutions of the committee were then unanimously adopted.

President Salisbury—Oliver J. Sands, of Richmond, was to have delivered an address on "Commercial Paper as a National Asset," but he is not present.

His paper is made a part of these proceedings and is as follows:

Commercial Paper as a National Asset

ADDRESS BY O. J. SANDS, RICHMOND, VA.

I have listened to many papers on this and kindred subjects, but when called upon to say something myself I feel very much like the old darky who was found leaning against the window of a country bank whose doors had been closed by order of the State Banking Department. The old fellow was in a most disconsolate mood. A gentleman approached and said, "Why, Uncle Jim, don't take it so hard. This is not the first bank that ever failed. I see an account in the paper every now and then of some bank being forced to close its doors, so you are not the only one who has suffered." Uncle Jim was very thoughtful, but not consoled. He replied, "Yas, suh, I dun hear tell uv 'em befo', but dis here de fust one to bust right in ma face!"

To arrive at a correct definition of commercial paper would seem to be the first requisite in discussing this subject. In this country we naturally say that a proper definition would be "the obligations of a commercial house based upon its quickly convertible assets, such as merchandise on hand and bills and accounts receivable," that is, such paper as is sold by note brokers. Also the obligations or notes given for the actual purchase of goods or given to finance current business, payable within such short or reasonable time as would ordinarily require these goods to be turned over to actual consumers for cash. Also bills or acceptances drawn against actual shipments covered by usual shipping documents.

Some good authorities do not approve of the single name notes of merchants being called commercial paper for the reason that they are

given in round sums for borrowed money and usually run for a longer time than is generally conceded to be good banking practice—the length of time a truly commercial or trade note should run being ninety days; under no circumstances longer than one hundred and twenty days.

It would seem that a merchant's note, outstanding to the amount of good accounts receivable, as shown by the books of the merchant, representing actual sales of merchandise or other commodities, should be considered commercial paper just as real as if that merchant had taken a note from his customer for each sale maturing at the time his account is due.

A mercantile loan must have within itself the power to liquidate at its maturity. By being based upon actual commodities which will be consumed or exchanged for other commodities within a given period of time, it automatically takes care of itself.

For instance, a Brazilian merchant sells coffee and draws his draft against the purchaser in Cincinnati, that draft is accepted by bankers and, with accompanying documents, immediately credited to the shipper's account in Brazil. It is then sent to London and credited to the Brazilian banker's account, sent from there to New York and collected upon the delivery of the commodity. A bill of exchange, a high form of commercial paper, is thus created. The merchant in Cincinnati sells this same coffee to his customers and takes their short time notes or accounts receivable. In this way the commodity is still represented by commercial paper. Such paper, made by solvent merchants and endorsed by a good house, is looked upon as good commercial or trade paper, it having been taken in an actual definite commercial transaction and not in payment for an overdue account as is the general custom in the issuance of notes in this country between jobbers and retailers, retailers and consumers.

Acceptances between buyers and sellers without the assistance of a bank make also a desirable form of commercial paper, if both parties are in good standing. This class is similar to our form of customer's notes. The banker's acceptance, however, adds much to the marketability of the paper, and such acceptances find a wider market at more favorable rates, although the banker's charge is usually $\frac{1}{4}$ of 1 per cent. for the guarantee.

Notes issued against readily marketable merchandise in hands of a second party, such as warehouses, railroads, etc., constitute a high order of commercial paper and if so recognized would in a measure offset the inhibition against stocks of merchandise being considered a basis for commercial paper. Section 5200, U. S. R. S. (The National Bank Act) does not clearly define commercial paper and the courts have never construed it so far as I can find. It seems to call two name paper, negotiated by the payee, commercial or business paper.

So we see that in whatever form we may put it, truly commercial credit must have within itself the power of liquidation at maturity. Other forms of paper, however well secured, are not always easily liquidated. The best stock exchange collateral has at times proven to be the hardest class of paper to liquidate at maturity for the reason that the market drops very rapidly in periods of disturbance and there becomes no market, or at least a very limited one for stocks and bonds and then only at ruinous prices.

A loan secured by a mortgage may be as safe as the everlasting hills so far as its ultimate payment is concerned, but it is often the slowest to be paid as it is not always easy to find a customer for real estate even though the price may be very low. This form of investment has

no place in our commercial banking system and should be considered entirely outside of that field.

As a matter of experience I will quote from Mr. J. G. Cannon's paper on the subject of Clearing House Loan Certificates, issued for the purpose of relieving the panic of 1907. These certificates as you know were issued by the banks to take the place of actual cash in the payment of balances, and in some cases were paid over the counter of the banks to customers and circulated as money. The issuance of these certificates was of very doubtful legality, but the circumstances warranted unusual measures and no one questioned the action at the time as the disregard of established customs was deemed justifiable.

The banks were primarily bound for the face of the certificates and they deposited securities in excess of the face of the certificates outstanding in varying amounts from 25 to 50 per cent.

It is estimated that \$250,000,000 of these certificates were outstanding at one time during the panic. New York banks deposited as security for their outstanding certificates with the trustee \$330,000,000 or 72.92 per cent. of commercial paper and \$123,000,000 or 27.08 per cent. of stocks, bonds and short time railroad and similar notes. All this "Emergency Currency" was issued during a panic without governmental or other than local supervision and without any loss whatever—it all being promptly retired when the necessity for it had ceased.

If that can be accomplished without loss in panic times, does it not seem entirely reasonable that these same banks could loan their credit in ordinary times in the form of acceptances of commercial bills with great advantage to the business interests of this country?

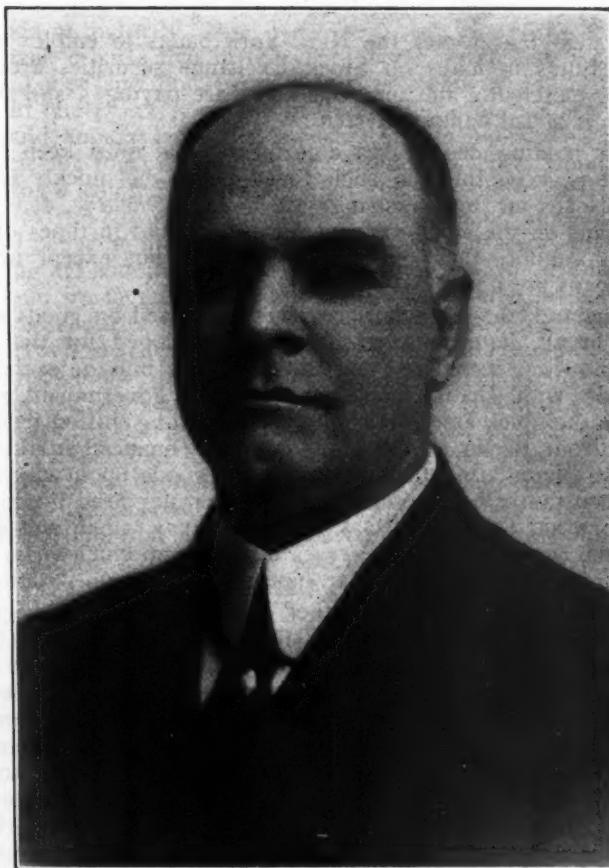
My city did not issue certificates in 1907, but paid cash over the bank counters without limitation. The easy condition and gradually strengthened position of our banks in the fall of 1907 was largely due to the fact that our leading banks had large amounts of commercial paper maturing in November and December, which was paid. The bank does not want to press its own customers for payment at such times. Its real estate mortgages are not convertible, for values are usually off and the market limited. Stocks and bonds have fallen so that holders do not want to sell even if there is a market. Every condition tends to emphasize the real value of commercial paper, and to show that it is, or should be, practically a currency secured by commodities, guaranteed by the holders of those commodities, payable at a given future time.

We have in circulation three kinds of paper currency—certificates representing gold and silver in the government's warehouse. This is a commodity currency for it is based upon the value of the commodity which it represents. Treasury notes, which are the promises to pay of the government, payable on demand, without interest. No security pledged behind these notes although the government carries a gold reserve of \$150,000,000 to redeem them; there is outstanding approximately \$350,000,000 of these notes. National Bank notes—secured by a deposit of government bonds, which bonds are promises to pay of the government at a fixed future time at a given interest rate. Approximately \$700,000,000 of these notes in circulation.

| | |
|--|--------------------|
| In 1910 Gold in circulation in U. S..... | \$378,700,000.00 |
| Gold in Banks and Treasury of U. S..... | 1,331,300,000.00 |
| Total | \$1,710,000,000.00 |
| In 1911 Total stock of Gold..... | 1,753,134,114.00 |
| Total stock of Silver | 732,000,000.00 |

About 90 per cent. of the actual transactions through our clearing houses and banks are conducted in a credit currency, checks, etc., which are demand promises-to-pay of our business men. When a business man issues a "promise to pay," he generally buys something marketable with it, while the government's promises are issued for money spent with nothing added to the asset side.

Are not these notes, acceptances and bills of whatever nature, the very safest basis for credit—made by our best merchants, having behind them in the hands of these merchants commodities which are, in the last analysis, of more certain value than gold, especially when these



F. B. McCOMAS
Los Angeles Notion Co., Los Angeles, Cal.
Director

notes are guaranteed by the endorsements of our banks and made subject to proper limitations and requirements as to their issue?

In a recent letter to the *New York Sun* the following statements were made:

"An antiquated, unscientific banking system is the fundamental cause of the extreme fluctuations in call loan rates. Excessive speculation on a small margin of capital in the hands of persons unfitted by tempera-

ment to assume speculative risks is now stimulated by a bad banking system, which forces country bank deposits into Wall street and then forces the big reserve banks to favor Wall street loans against trade loans as a reservoir for these deposits.

"Banks have two principal reserves against their demand liabilities:

"Gold and other money;

"Short time loans easily converted into cash.

"It is but natural that the idle money of a country drift to a central financial city which acts as a national clearing center, as New York for the United States, and London for England. Only by such a centralization of reserves can the machinery of credit be efficiently controlled.

"A system that forces the New York banks to employ more than half their funds in loans on Stock Exchange securities around 3 per cent., while merchants and manufacturers are paying 5 and 6 per cent. for money, is a bad banking system.

"Banks holding deposits payable on demand must keep their loans liquid, that is, keep them in such form as can be quickly turned into cash. Call loans on stock exchange are liquid *in theory*. It is notorious that call loans on the stock exchange are not liquid in times of financial panic—they cannot—they must not be called; but except in times of panic call loans are liquid.

"In England, the secondary reserves are based on goods moving in trade. A broad, liquid market has been developed for the promises-to-pay of industry, commerce and trade. These bills of exchange rank side by side with British consols and other government guaranteed securities in the quick assets of banks. They can be shifted from London to Berlin—from Berlin to Paris and to other financial markets. They are constantly liquidating themselves for the goods upon which they are based are constantly being consumed. The crying need in this country is a broad market for commercial promises-to-pay which will enable the banks to keep their secondary reserves in the form which years of European experience have proven so far superior to our own practices."

In Germany, and in certain other European countries, perhaps the most important national asset which has developed from the extensive use of commercial paper, has been the development through the extension of credit to craftsmen, artisans, and persons following similar occupations, that is, the small industrial middle class, which is permitted to discount bills as well as are the merchants and manufacturers. The German Reichsbank, because it could use all kinds of good commercial paper as security for the bank note issue, developed all lines of business activity. This development has, of course, been an important asset to the German Empire. In this country, however, such activities are not developed on a national scale, but are confined to localities where such banking facilities are available.

The question is raised as to there being only a very limited supply of actual commercial paper based on "goods moving in trade" in the United States.

It seems entirely probable that if we recognize commercial paper as the true basis for secondary reserves and make its use of advantage to merchants and banks, that we will soon adapt ourselves to the changed condition and the form of our credits will rapidly change. So that the bulk of the credits now carried on merchants' books will be converted into note credits and we will soon find that we have large amounts of

trade paper and perhaps a smaller amount of our present form of single name paper.

I am informed that the annual sale of what is ordinarily known as commercial paper, handled through note brokers, amounts to approximately one billion, seven hundred and fifty million dollars, and that the losses are infinitesimal, probably not more than 1/100 of 1 per cent.

These sales amount to a very small proportion of the actual commercial paper handled, for there are hundreds of good commercial houses which do not sell their notes through brokers, and thousands of banks which do not buy paper but get a sufficient amount from their own customers.

Purchased paper has proven to be the most liquid secondary reserve, for it is paid at maturity.

One bank reports that in ten years it has purchased seventy million of outside paper and that every dollar was paid at maturity with the exception of one \$5,000 note, and of that 50 per cent. has been paid.

It would appear from the experience of bankers who use care in buying even our form of single name promissory notes commonly called by us broker's commercial paper, that there is little need for special enactment of rules to govern its issue. At the same time, in order that commercial paper be made truly a national asset, it seems to me that our new banking act should define the nature of it, and in various ways protect its issue by merchants and limit its acceptance by banks so that there will be a uniformity of security and protection, which will create a public discount market and demand for these loans; and, as in European countries, they might gradually take the place of United States bonds as security for national bank notes. This would certainly instil into our circulation system that flexibility so greatly to be desired so that it will contract and expand as the demands of trade require.

Whether laws defining what class of commercial notes is rediscountable, or available as security for circulation are enacted or not, it is most important that all houses borrowing money should make their paper in the form most desirable and attractive to lenders.

The regular auditing of books by certified public accountants is very important.

In the handling of bills made by merchants doing business a great distance from the purchasing bank, the personal equation is entirely eliminated, therefore, the most thorough independent information obtainable must be secured, so the sellers and buyers of this class of paper should co-operate in every possible way to make the paper safe and desirable. Registration of notes issued has also been suggested and has some very strong features to recommend it.

It is hoped that bank acceptances at least will be authorized in any new banking system which may be devised. This plan has been successfully used abroad for many years. A merchant, instead of borrowing the actual money from his bank and locking up large reserves of cash, arranges to secure the bank and the bank to accept or guarantee his drafts for 60 or 90 days. He practically borrows the bank's credit. The question of the maker's credit is thus eliminated and the note, instead of being a mere evidence of advance, is made a standard investment. Such an investment commands the broadest market.

The merchant then uses these acceptances in the payment of his bills or sells them in the open market as he desires. They lodge where there are funds for investment.

Each year from three to four hundred millions of dollars of drafts

covering shipments of cotton are absorbed by bankers in Europe. They are easily converted and greatly desired by foreign bankers and investors on that account.

Under our present system a merchant borrowing \$100,000 gives his notes to his bank and that amount is credited to his account; the bank immediately locks up 25 per cent. of the amount of the loan in actual money as the reserve required by law.

The value of the manufactured and farm products of this country is sixty thousand millions of dollars annually. The commercial paper based upon these enormous values and the integrity of the men and institutions issuing it is indeed a great national asset. It must be given the opportunity to perform its proper function in the business life of the nation. I believe the framers of our new currency act will recognize this, and if they do, we predict that the money panic in this country will remain only in history as one of the great mistakes of our forbears.

President Salisbury—We are favored by having with us John A. Fox, who will address us upon a subject of importance which certainly has been called to the attention of a great many of our credit men in cities all over the country. His subject will be "Flood Prevention a National Problem." (Great applause.)

Flood Prevention a National Problem

ADDRESS BY JOHN A. FOX.

Whatever affects any part of the country to such an extent that it affects the whole country becomes at once a problem or a question for consideration by national bodies.

During the last two years we have had such disastrous floods throughout the United States that they have left their imprint upon the business of the whole nation.

When in 1912 and 1913 the disastrous flood came down through the Ohio and the Missouri to the Mississippi, covering the great interior basin between the Rocky and the Allegheny Mountains, the whole country suffered. Financial institutions, business concerns, jobbers and manufacturers everywhere felt the effects.

This spring, when that great and disastrous flood was repeated, wiping out millions of dollars' worth of property in Ohio and in Indiana, in Illinois, Missouri, Tennessee, Kentucky, Louisiana, Arkansas and the south, it left its imprint not only upon the particular part of the United States, but the result of that flood was felt by the bankers of New York and the millers of Minneapolis alike. It was felt by the bondmen of Baltimore and Boston, by the great producing regions, by the Pittsburgh mills and the Chicago manufacturers. It was felt by the packers of Omaha and Kansas City. In fact, that great and disastrous flood that wiped out millions of dollars of property in less than three days in Ohio and Indiana, wiped out in the next three or four weeks one hundred million dollars more in the great delta of the Mississippi, as you see here on the map I have brought. Now, such disaster was not for local consideration alone. It became a great national problem, something that confronted the whole nation, to be dealt with and considered by the national government; some means should be taken to prevent these floods and to curb these great and disastrous floods that carry ruin, destruction and death in their path.

I cannot dwell upon all the local issues that come up under these

flood problems. You, of Kansas City, remember the terrible disaster you had on the Kaw. Our friends in Georgia, at Augusta and Savannah, remember the terrible disaster that occurred when the Savannah went on the rampage. My friends in Pittsburgh know the ruin that follows one of their terrible floods. Ohio, Indiana and Illinois recently have come to realize and recognize the terror of these floods. But I want to speak particularly of a part of the country that suffers not periodically, that suffers not once in a hundred years, but where every year the people live in terror of the ruin and devastation that hang over them at all times—the heart of the Mississippi valley; and I want to tell you briefly of one part of this great problem that is so national that it should receive the attention of the country at once. I wish to show how one great problem could be solved quickly by the government; and then from that it could extend its work into other parts of the country, thus solving the local problems in the heart of that part of the United States known as the great Mississippi valley.

There are 1,240,000 square miles drained by fifteen thousand miles of navigable tributaries. All of the waters of that vast drainage area converge at the mouth of the Ohio at Cairo, and every spring the people who live in that country from Cairo to New Orleans are threatened with destruction and devastation, just as befell you people in Ohio here last spring.

Ever since 1879 the people of Missouri, of Arkansas, of Tennessee, Kentucky and Louisiana, have pleaded with the national government to recognize this great problem as national, to recognize the fact that it is not the duty of the people who live in that territory to bear the brunt of caring for the flood which covers an area of 1,200,000 square miles, and of bearing the responsibility of conducting to the ocean the floods from thirty-one states and Canada. Only recently that splendid president from this city, Mr. Taft, declared it is clearly a national duty that the government should prevent the floods on the lower Mississippi, and if it is necessary to write it into the law, I am in favor of writing it into the law, that we should appropriate the entire \$50,000,000 and build levees for the protection of that land. (Applause.)

Now, my friends, that is one big, clear, concise problem that stands out in relief in all this question of flood prevention. Here I show you a map of that empire. Extending from the mouth of the Ohio river to the Gulf of Mexico are 30,000 square miles of the richest land the world has ever known, a territory as big as is Connecticut, Massachusetts, Maryland and New Jersey combined, that every year is threatened with disaster, destructive floods, from thirty-one states. It is not the rainfall from their own states. When the sun shines brightly and we are having beautiful weather here, we must fight floods that are coming from all over the nation.

Ever since 1879 the country marked blue on the map, that wonderful fertile area that lies like a vast and beautiful plain, with seventy feet depth of soil and as level as a board, is confronted with these devastating floods. Since 1879, when people denied that congress had the constitutional right to build levees and protect from floods, they have undertaken to save themselves. Congress provided a committee of the most eminent hydraulic engineers in the world to investigate the subject and report. First in 1860, then in 1879, and again in 1889 it was reported by the Senate committee and by other committees appointed to investigate, that that wonderful territory could absolutely be protected from flood by the expenditure of about \$60,000,000. The people of the country have

themselves spent \$67,000,000 since 1827. They have progressed well with their work; but the last year's flood demonstrated it is too great a problem for them to deal with.

You will notice on the right over here a section that shows a typical section of the levee that exists from Cairo to New Orleans on both sides of the river; 1,525 miles of that levee ought to have been constructed twenty or thirty years ago, but the money was not available and the people undertook to construct it themselves. They have gotten just as far as you see outlined in the shaded portion of that section. But we lack \$60,000,000. The national government should recognize the problem as a national one, particularly insofar as the lower part of the Mississippi is concerned. And insofar as this empire, in the heart of the nation is concerned, we believe that if the business men of the nation would recognize it as a national problem and would declare to congress that it merited national recognition, congress would immediately provide the means, as it did in the case of the Panama Canal, to complete that splendid system of flood prevention and build the levees as prescribed by the engineers in 1879, and prevent what threatens that country every spring of the year.

I had not expected to go into details so much, but I want to state it as a concise and conspicuous example of what can be done. That area in blue upon the map is capable of producing 10,000,000 bales of cotton. Today hardly more than one-fifth of that area is in cultivation. Put that country entirely under cultivation and that 30,000,000 acres in the heart of the United States will produce a business that would be felt in Boston, Portland, Minneapolis, Baltimore, Kansas City, and in every part of the United States. Today the cotton crop is 10,000,000 bales in the Union. Add 10,000,000 more bales by aiding in the reclamation of that splendid empire, and it is just as if we went to the Philippines and Cuba and purchased new country and used that territory for great trade interests.

We went to Cuba a few years ago and it cost us eighteen hundred lives and \$250,000,000; \$60,000,000 invested in our own country, in the very heart of the country, will add to this nation 30,000,000 square miles of territory, an area as large as Massachusetts, Connecticut, Maryland and Delaware combined, that can support a population of 6,000,000 or 8,000,000 people, and will produce a trade and a territory for business that will be unequaled by any part of the United States. (Applause.)

Now, I believe this is clearly a matter for such a business body as this to consider. I believe it is clearly within the province of the credit men to look into this matter and take some hand in the solution of this problem. When a banker in New York loses greatly because the floods have wiped out the great Yazoo valley, when a great jobbing house in Baltimore loses a million, they are in favor of doing anything they can; when your great city of Minneapolis has 14,000,000 barrels of flour and cannot send her flour down there, she feels the difference; when Chicago, with her splendid enterprise, is cut off from that territory, she feels the effect. So it is clearly a matter for such a splendid business body as this to take care of this matter and aid in pushing it forward until the wrong can be remedied in some way.

So I appeal to you, not as one coming from this section; St. Louis, Memphis and New Orleans are not selfish. But we believe if you simply knew this story and knew the conditions, if all the people in the country were shown that map and asked—is it a fair proposition that the people who live here should bear all the expense, and is it a fair proposition

that the government should bear half?—we believe, if the country were educated to the problem, it would be solved and solved at once by the national government. (Applause.)

To-day there is a bill pending in congress which asks for the appropriation of \$60,000,000, at the rate of \$12,000,000 a year for five years, provided the people who live in those states and inhabit and own that territory will contribute \$15,000,000 in the entirety, at the rate of \$3,000,000 a year. That will make the people have contributed \$75,000,000 when the whole system is completed and the government, \$75,000,000. If that measure can be passed at the coming session it will result in that empire, the very heart of the United States, being laid open to the most magnificent cultivation that can be known by any country on the face of the globe. It is of this great area that Napoleon said: "The nation that owns and controls the Mississippi valley will be the nation that will rule the world." And so it will. If you gentlemen of this splendid organization will take an interest and help, if possible, by a chain of correspondence, your seventeen thousand members, each writing a letter to his congressman, saying that you regard this as a national problem, and urge congress to pass such legislation as will provide safety and immediate relief, it will be most helpful. If your various bodies will co-operate with the great association that has been formed comprising all the interests in the Mississippi valley, co-operate with them in every way possible, and help them educate the nation along those lines, I believe you will have accomplished one of the greatest pieces of work that has ever been done in the nation.

I congratulate your great body on the splendid work it has done. Many of you will remember that I addressed you at Memphis, when we took you over a part of the valley opposite Memphis, at Menasha. You saw there a wilderness. Since then there have been a million acres put in cultivation. But last year that great country for forty miles was twelve feet under water. Three million acres in Mississippi of that splendid part of the great heart of the valley were wiped out, crops ruined and stock drowned. It is not like a flood that comes with a rush and goes off quickly, but when that part of the state is under water it remains so for six weeks or two months, and devastation, ruin and disease follow.

Yet that is a problem that can be solved. It simply requires that the voice of the people say this problem is too big and too splendid for these people to deal with alone; it is clearly a national problem; and we urge you to pass the legislation that is necessary to take care of it.

I hope, my friends, that you will do everything in your power to co-operate with your fellow credit grantors at St. Louis, Memphis and New Orleans, because they know more about it and are more familiar with it, and not because they are selfishly interested; and that you will help them put this matter so clearly before congress that the desired legislation may be obtained. (Great applause.)

F. H. McAdow—The Memphis delegation has presented to the Committee on Resolutions a resolution, the adoption of which we recommend. I will ask Secretary Tregoe to read it.

It was read as follows:

"WHEREAS, The destruction by floods of property throughout the United States and especially in the great Mississippi basin has grown to such large proportions during recent years as to affect the whole country, and

"WHEREAS, The prevention of these floods is of direct concern to the business and financial interests of the whole nation, and

"WHEREAS, This Association passed a resolution at its last session urging national control of these floods, therefore, be it

"Resolved, By the National Association of Credit Men in convention assembled, that we reaffirm our declaration in favor of the national policy of flood prevention and urge upon congress the imperative need for definite and immediate legislation such as will provide speedy relief in preventing floods wherever of such national scope as to warrant action by the general government; and be it further

"Resolved, That the president of this Association be and is hereby authorized to create a Special Committee on National Flood Prevention to co-operate with other organizations in securing the enactment of such measures by the states and by congress as will prevent the enormous losses that follow these disastrous floods."

George R. Barclay—I want to second that resolution and to say that I agree with the speaker when he states that this is a national question. It is just as much the duty of congress to protect the people from these floods as from the invasion of an armed foe. I trust the convention will pass and endorse these resolutions. (Great applause.)

A. C. Carpenter, New Orleans—We people of Louisiana really know something about flood conditions. I feel, after listening to the very able address of my friend this morning, that some of you have the idea that we are drowned out every year down there by reason of these floods; but that is not the case. We are suffering and do suffer almost annually from floods, but we are getting better every year; and I believe that the question is absolutely a national one. It is too big for us, because it is costing us too much money; it is costing everybody down the valley too much to attempt to protect themselves; and for that reason I want to endorse and second these resolutions. I want to see them pass, and I want to see this organization take an active part in insisting upon the national government taking hold of the flood situation as a whole, and dealing with it accordingly, and not putting the burden on a few states, as in the past years, and as will be continued if we do not do something to prevent it. I therefore again say that I am glad to second this resolution and trust that it will be unanimously passed.

Motion unanimously carried adopting resolution.

President Salisbury—The next order of business will be the report of the Credit Department Methods Committee, J. N. Moylan, Dallas, Texas, chairman.

Report of Committee on Credit Department Methods

To the Officers and Members of the National Association of Credit Men.

Your Committee on Credit Department Methods has devoted no attention or study whatsoever to credit department forms as this feature of its work was referred at Boston to a special committee.

Your committee recognizes that under our present extensive and complex credit system the need has grown for more science in the credit department and more system in credit checking. It would not be possible within the review of one year or a report of reasonable extent to touch

upon every need of the credit department so that its advance might be kept apace with the advance in our credit system, and we have felt it wise therefore to submit to your serious consideration some conclusions of a specialized nature that may be considered and if approved promoted by your committee of the incoming year.

We are beginning to appreciate as credit grantors that while the nation is territorially large no distinct section is beyond the influence of the currents and cross currents of the commerce of the whole nation, and if credit checking is based solely on local conditions or a limited vision, mistakes will occur and probable disaster.

The credit men of the nation must arise to the need of taking a broad view of the country's territorial limits and as a matter of fact those of the world as related to trade. No section of our country as related to the country itself, no nation as related to the world and its trade currents can live alone. Equilibriums are reached and conditions governed by composite trade, and we therefore urge and recommend that credit departments and their managers utilize all accurate channels for information upon trade and monetary conditions and that the National office, through its literature, make a more definite effort to bring to each of its readers explicit and dependable information upon the drifts and currents of nation and world trade.

Thoughtful credit grantors are beginning to consider what occasions the large number of business failures, especially those of retail merchants. The proportion of those who undertake retail merchandising and continue for a number of years successfully is very small as compared with the number who make the effort and fail. By the word failure we do not mean insolvency but necessarily include that large proportion of those who make the effort and fail to succeed even though the end is not made in bankruptcy or insolvency.

There has devolved upon the credit manager a direct responsibility to his debtors of promoting and conserving their ability in addition to their willingness to redeem confidence and meet their purchase contracts. Undoubtedly the selection of merchandising by many is without a consideration of the vocation, the elements and characteristics needed for its success—that is, there is no adaptation to the business and the merchant without adaptation suffers a handicap and is liable to fail.

In addition to adaptation, however, there are still elements necessary to success and these may be named as system and good order. The retail merchant conducting even a modest business without a simple and accurate accountancy system is at a disadvantage, and efforts should be made by credit managers to present the need in such instances of a simple and accurate accountancy system and also the need of taking an annual inventory. Not only is this elementary principle important to real success but it is necessary for the adequate protection of the merchant against fire loss and to make it possible for him to render true financial statements.

Next is the need of educating merchants upon the proper method of computing costs, that is, the calculation of a selling price such as will adequately provide for overhead charges, interest on capital, contingencies and a reasonable profit.

We recommend that the efforts of the incoming committee and the National office be directed to the awakening of every merchant to the need of proper accountancy methods and the proper calculation of profits. These efforts of the committee and the National office can only be made effective through the co-operation of the entire membership, and we

sincerely urge that as the work is advanced and literature and suggestions prepared, this education be brought through the credit departments of the country immediately to the retail merchants.

Your committee commends the "Credit Topics Leaflets," issued this year by the Business Literature Committee with a view to correcting such evils in business as the abuse of sales terms and unsystematic and dilatory attention to correspondence. We recommend that to these leaflets be added others so that common evils in business practices may be explicitly handled and effort bent upon their correction.



J. N. MOYLAN
Tufts and Osborne, Dallas, Texas
Chairman, Committee on Credit Department Methods

We urge upon the members a close fraternity in taking up in debate credit department methods and business practices and that the National office promote such intercourse by bringing the members into touch with one another in general discussion upon the methods and practices of business.

The increase in the demand for written financial statements as the basis of banking and commercial credit is approved by your committee. Every encouragement should be given to its further extension and every

safeguard should be thrown around the accuracy and value of the written statement:

Your committee begs to offer the following resolutions:

I

"Resolved, That the National office, through its literature, and publications, lend assistance to credit departments by bringing them into accurate and close touch with the drifts and currents of the world's trade and monetary situation.

II

"Resolved, That the National Association of Credit Men, through its incoming Committee on Credit Department Methods, promote through the co-operation of its membership the habit among retail merchants of keeping accurate and simple books of account and of taking an annual inventory as of vital importance to a strong credit standing.

III

"Resolved, That the National office, through its proper committees, continue its efforts to educate merchants by briefly written leaflets to the need of good order, system and decent practices in business, and that these efforts be made far reaching in their effect through the co-operation of the membership.

IV

"Resolved, That every encouragement be extended to the development of a close and fraternal relationship between all credit departments to the end that free and unrestricted presentations and discussions of credit department methods and business practices may be had and that the National office extend its generous service in bringing about and promoting these forums on reasonable and proper lines."

Respectfully submitted,

MAX COHN,
WELLBORN PATTESON,
O. H. KERR,
GEO. T. ALLENWORTH,
J. N. MOYLAN, *Chairman.*

Mr. Moylan moved the adoption of the resolutions as read. A. Landauer, of Milwaukee, seconded the motion.

President Salisbury—The discussion on this report will be led by Irving C. Brown, of Newark, N. J., and E. A. Howell, of Denver.

Mr. Brown—The committee in its report has taken a broad outlook over the whole situation, as has been stated. In fact it was necessarily so, because credit department methods properly cover credit co-operation, commercial ethics, credit education and management and the special forms. But some time ago at one of our recent conventions the credit department methods trust was resolved into component parts; and since then these various parts have been reported upon by the special committees and the separate lines of investigation made.

Now, I am in favor of the resolutions as offered by this committee, but at the same time (without any reflection on this committee's report) I think you will bear me witness that during the last few years we have noticed the tendency in all of the reports to spread out rather broadly in the way of preamble and then to pass on to the incoming committees certain lines of work that the committee thinks should be carried on;

and it seemed to me as a good suggestion that more definite, concise, concrete work would be brought about if one or two of the members of the committee who had done good work, were continued in the committee during the succeeding year, and if necessary, that that committee be enlarged. A great deal of time, it seems to me, is used up by these committees in going over the same work as their predecessors. Take the work of the Banking and Currency Committee. It has clearly done exhaustive work. Another committee coming in would have to go over the same ground. This illustrates what I mean.

I noticed a good article in the April BULLETIN referring to the Portland association, of Oregon, which held a meeting when the Credit Department Methods Committee illustrated and exemplified its work right in meeting; and the report shows that distinct benefit was derived therefrom.

In our association at Newark about two years ago we started such a method. We secured from the central office full exhibit that was supplemented by the members of our own association; and a great amount of instruction and benefit was imparted to our members through this meeting.

That meeting resulted in the holding of the business men's show in our city—not merely as a matter of "show," but for the benefit of the merchants of the city.

In Tuesday's *Trade Journal*, I notice that Los Angeles merchants had adopted the method of charging interest on past due accounts. One of the prominent members of the Newark association has written extensively on that subject—and also the matter of the enforcement of proper rules concerning discounts, and such articles have been published at various times in our National BULLETIN. I refer to the articles written by Willis L. Brownell, of the Crocker-Wheeler Company.

The business literature leaflets have been referred to in the report and they have done good work. It has been suggested that we endorse the suggestion that these leaflets be extended in their variety of subjects and that the articles be not only printed in our BULLETIN, but that they be sent, so far as can be arranged, to the various associations, so that the membership at large may receive the largest benefit from the work of our credit department committee, whether in the form of published literature or as the result of their deliberations.

I favor the adoption of the resolutions.

President Salisbury—E. A. Howell, Denver, Colorado, will speak on the resolutions, in the absence of Mr. Thomas.

Mr. Howell—It is a surprise to me to be called upon to respond at this time, as our representative was to have been H. J. Thomas, whom many of you know, and who has been with you in the past. I wish briefly to second these resolutions and to say that Denver is heartily in favor of any educational literature that may be put out.

I further want to say, that the leaflets that we have been receiving from the secretary were largely disposed of through out territory by the general jobbers, and they urged upon us to co-operate with the National Association in distributing this literature. We realize the necessity of education in the western part of the country. There are many merchants who undertake merchandising who are not sufficiently familiar with the necessary details to make a success of it; and our adjustment bureaus in the past have demonstrated that 80 to 90 per cent. of the failures in mercantile enterprises are occasioned by ignorance of business principles.

Now, we wish to co-operate heartily with this committee; we want to see it go forward and publish more literature and simple literature, that we may all understand.

I might make one further suggestion, namely, that a uniform plan of distribution for this literature might be inaugurated. Our association is working upon that, and if you will send us the literature from the National Association we shall see to it that it reaches the proper channels. I thank you.

C. B. Cranston, Columbus—I wish to add this resolution:

"Resolved, That the subjects Fire Insurance and Fire Prevention and Protection are within the abstract matters for separate consideration, nevertheless so vital to credit department methods and work that every member of this Association be urged to require from debtors not only adequate insurance in proper companies, but encourage every possible means of prevention and protection."

A. H. Dobson, Utica—I move that the resolution be brought up under the head of the report of the Fire Insurance Committee.

Motion seconded and unanimously carried.

The report and resolutions of the committee as above were then unanimously adopted.

President Salisbury—The next order of business is something in which we are particularly interested, "New Business Ethics," by Prof. William Hammond Parker, of the University of Cincinnati. (Great applause.)

The New Business Ethics

ADDRESS BY PROF. WILLIAM HAMMOND PARKER, UNIVERSITY OF CINCINNATI.

I believe it is unconstitutional to require a person to wear a coat to-day—I say unconstitutional, because it falls under the head of cruel and unnecessary punishment, forbidden by the federal constitution. Another thing, it is not in accordance with the new business ethics to require any man to do something which you yourself would not be willing to consider a square deal if you were asked to do the same thing. So you see in order to be both constitutional and ethical I have, at the very kind permission of your president, left my coat off. (Laughter and applause.)

It seemed a rather remarkable thing to me that any convention of credit men should ask a college man to come down and talk to them. It seemed a very flattering thing to me, because I thought I would come down a little early and sit around and find out how to get credit, because if there is anybody on God's green earth who needs it during a vacation it is the college professor. (Laughter.) Instead of finding out how to get the kind of credit I need, I heard men talk about billions and millions! I can get through a vacation without a million. Even if I tried hard, I could not spend a million. I am not interested in that kind of credit. We want to find some convention or some body of men that will just give us enough to see that we can stagger through the dismal and arid regions from the time school closes until it opens. That is the reason I came down here this morning. (Laughter and applause.)

The subject suggested to me, or which I suggested, I have forgotten which, the new business ethics, implies one or two things. In

the first place, it implies that there is a relationship between business and ethics; and it took this old world of ours a great many centuries to find out that there was this close, vital, continuous relationship between things, which so many of us have thought were separate. Too many of us have thought that business was business. Why, I remember when I was a youngster they used to say, "Don't mix business and ethics," just as if they were oil and water, things which could not mix; and it was not until we found out that the one thing which would make business and ethics mix was the character of the business man, that we began to see that it was possible, if we had the right kind of a business man to mix ethics and business.

It is rather interesting, possibly, to note the old attitude which men had on this subject. I can remember the time when a man divided his life into watertight compartments let us say just as they have them in modern steamships. He said, in this compartment I will be a husband and father and friend, and in this compartment I will carry on my religious life, and in this compartment I will be a politician, and in this compartment I will follow the races, and in this compartment I will be a business man; and lo and behold! the biggest compartment was the business man's compartment; and it was absolutely air tight. You could not get from the church compartment into the business compartment without an axe, to save your life. (Laughter.) That was the conception of how a man should divide his life.

Now we have learned better than that. We know now that no man can set one part of his life aside and absolutely segregate and divide that part of his life from all other parts of his life, and say that in this part certain principles shall prevail, certain rules of action, certain things shall be considered right here that are considered wrong here; or certain things shall be considered permissible here that are not considered permissible over there. We have learned the essential, age-old, inherent fallacy of anything like that. A man's personality is something entire and whole, and the whole man is a business man, is a pleasure-seeker, is a member of the body politic, is a member of the body social; and the very same principles of eternal right and wrong which govern a man in his home also govern him in his business activities, if he is a business man. (Applause.)

Another thing is suggested by the idea of the new business ethics, and that is this—that there has been a change in ethical relationships, an actual change in ideas of right and wrong. Why, when I was a lad I was taught in school that right had always been right and wrong had always been wrong. I know differently now. I know what was right for my grandfather is not right for me; I know what was wrong for him may or may not be wrong for me; that right and wrong are relative conceptions; that ethics is not something which is fixed, something which is formal, which has once been cast into the mold and then the mold never changed; that ethics is something which is plastic, fluid, changing, and just as men have wider conceptions, deeper convictions of right and wrong, they change ethical concepts to meet changing relationships in life; that if ethics were something fixed the world could never grow better. But as it is the world of men adjusts itself. The personality of the individual can adjust itself to the changing physical, social, political and religious environment in which he finds himself. So ethics does change, it grows, it develops. Why, away back yonder in the dim and distant past, we can see in that sort of border line, in that land of shadows, that land of increasing darkness, away back when men first

began blindly to grope around after ethical concepts, and try to distinguish between right and wrong—we can see as we look back there that all ethics was what the teachers of ethics (and, by the way, I am not a teacher of ethics) called communal ethics; that is, what the community decided was right was what everybody in the community had to take for right; and it made no difference what you thought about it, if you were unfortunate enough to live in those olden times, you still did what the community said was right; and one of the peculiarities of modern life is that we have not outgrown that yet. If we could get a square view of things and decide them for ourselves, we would do differently. Yet we do them because public opinion has not caught up with the leaders of public thought; and the community at large tolerates things which men who have ventured to make moral decisions for themselves are unwilling to accept as right.

And so from that stage of communal ethics there developed what we may call a stage of individual ethics, when the individual said to himself: "These questions of right and wrong are things which I must decide for myself irrespective of what the community in which I live may or may not have decided on these questions." And it was then, and only then, that the world began to face new ethical problems, and problems which came up and which must be decided by the individual rather than by any community or any large gathering of men which constituted his neighborhood surroundings. It was then that the new ethical questions in business came in.

Just to give you an illustration. This old world of ours had for a great many centuries been traveling along with the idea that it was right that a portion of the community should work for nothing; that it was right that a large proportion of mankind should be continuously engaged in unremunerated labor. That was slavery. I was born south of Mason and Dixon's line, so I feel free in talking about it. That was the idea, that a large number of people should work for nothing.

In Europe some seven or nine centuries ago, men began to think about these things, and the more they thought about it the more they began to question it; and after a while there were a few men in Europe, especially in the Anglo-Saxon race, brave and big enough to say that it is not right that any body of men should work without remuneration for honest toil and labor; and so they stamped slavery out of Europe.

Then somebody sailing westward discovered a new continent; and that new continent was a vast, virgin, unexploited field, that had to be developed, where the riches were immeasurable, and could be extracted only by hard, well-directed and continuous labor. There was no such labor.

The men coming from Europe, land-hungry, would not work for the other men; so we found ourselves face to face in this country with an ethical proposition that had been settled three centuries before in Europe. And what did we do? Why, we reverted back to barbarism again, and said, we cannot solve this problem unless we turn back to what our forefathers have already decided was unethical. And so we introduced the indentured servant in this country; and they would not work; and then we introduced slavery; and I will tell you this to show you that despite the handicap which American business had at the beginning of its career, American business men are the acknowledged leaders of the world in ethical concepts; they have made greater advancements than those who had three hundred years the start of them in ethical concepts relating to business.

So we introduced this old thing; and in Europe in the meantime was happening an interesting change. Production was changing, and with the change in production came new ethical questions. The old guild system was just gradually falling into decay; and in the guild system there were certain propositions strongly fixed. In the first place, it required the examination of raw materials, then a careful supervision of work, then a careful examination and valuation of the finished product before it came into the hands of the customer. It had gone through these three states, every one of which involved ethical decision. Finally the guild broke up and then production went to the homes. There they wove and spun yarn; and England made a reputation, which no country save our own has succeeded in questioning, as to its pre-eminency as a manufacturer and exporter of cloth. The cloth was woven in the homes.

Then one day a dreamer, or a drunkard, I don't know which, coming home late at night, finding his wife still spinning, turns over the wheel on the floor. The wheel keeps on revolving, and there flashes into his mind that here is the way to build a machine which will increase the efficiency of spinning twelve fold. It was the inefficiency of spinning which was keeping back general production; and so, because he came and kicked the wheel over and it kept on turning, he tried twelve more spindles on, and because it went on its side it did twelve times the work that it would have done if it stood up like a sober self-respecting, godly wheel, and one phase of the world's production was revolutionized.

So you see now that there was an advance, and with this advance in one phase of production there came a stimulation to inventors; and the first thing you knew other inventions followed. But finally it became absolutely essential that some power stronger than the human arm should drive these increasing wheels of progress, of production; and then it was that a little Scotch boy lying down before the fireside, looking at the teakettle and seeing steam rise out of the spout, thought, what is the matter with harnessing the steam? He constructed an arm that was driven back and forth by steam, and thus made the first piston. Thus sprang into being a steam engine. But everybody could not own a steam engine in his own home, and people went to the steam engine, where that power, newly discovered and tireless, was driving with the strength of ten thousand men, machines which were doing the work of a hundred thousand—work which had been done by hand power. Then the great city came into existence, and then the close, crowded, infinitely complex life of the city. Then there arose new ethical problems in business. Now came questions of employment; of hours of labor; there came questions of business environment, of right and wrong in business, which business had never known before; and these questions were insistent; they had to be decided.

With the coming of the man from the country district, he brought with him his wife and children, and instead of stopping in a home in the city, the wife and children went on into the mills; and there came the question of child labor; there came the ethical question for decision by people of that time, as to whether or not it was right to rob a child of every single heritage which he had the right to have; to say to that child, you must go in here and become part of this machinery, and allow it because of the sacred cause of production, to grind out of you a life which has been given to you for service other than that of production alone. (Applause.)

And the question became more and more insistent until the world felt the need of some new Martin Luther who should nail upon the

doors of the temple of production a new thesis against child and woman labor, against long hours and unsanitary conditions of employment, against under pay and over work, against all the grinding, horrible things which had been staining the wheels of our progress red with the blood of those who could not protect or save themselves. (Applause.)

With the development of new ideas of ethics that was settled, or in process of being settled, until to-day we dare the producing public to look women and children in the face, because we are beginning to treat them decently and honestly in production.

Just another one of the questions which came up for decision: There came up questions of occupational diseases, whether it was right or wrong for any producer, be he an individual, a partnership or a great corporation, to force his employees to work under conditions which eventually would result in their physical, mental and moral breakdown. That was decided against it. One great corporation of this country, holding the patents for the use of a certain preparation of phosphorus in the making of matches, has offered to the world this preparation, stating that they are willing that any one should use this, which legally was their exclusive right, because if they did not it meant the sacrifice of the lives of men and women who work in the factories making matches. That is an illustration of the progress which ethical conceptions have made in American business life!

Again, there came questions as to the proper treatment by the employer of the employee. There arose questions of the right of any business man or any corporation needlessly to cause injury or suffering or discomfort to the public at large. These questions we have not yet settled, but we have settled harder ones, and just as sure as right is right we are going to settle these questions in the way they ought to be settled. (Applause.)

Again, there came other questions, questions which were very vital to the welfare of the state, questions as to whether the state, the body politic, had the right to go to business and say to business: "We are larger than any business, because we represent the people at large, and the state has the right to control business enterprises and business initiative, to see that that enterprise and that initiative do not work harm to the state." That is a question which is now in process of decision. That is an ethical question; it is the question of the right of all against the rights of some; and the way those questions are always decided is that the right of all shall be preponderate over the rights of some or of any smaller fraction of the totality which we call the state.

Ethics is playing an increasing part in business; business no longer is divorced from ethics; and never again, as long as men in America shall conduct business enterprises, will any man venture to stand before the American public and state that any question can be looked at as purely a business question or purely a political question; it must be looked at not only as an economic question or as a political question, but it must be looked at as an ethical question; and every single decision which we make as regards business, politics or social life, has its ethical place, its ethical points of view.

American business is becoming more ethical. We are now interested not alone in questions of the right of labor, but we are getting to be interested in questions of the rights of the man that employs the labor. (Great applause.)

We are tired of this one-sided talk, this one-sided consideration; we are awakening to a realization of the fact that the man who pro-

duces more and better and cheaper commodities for distribution among the people at large and others, is a man who is working for the benefit of society as a whole. We are coming to realize that no man or body of men has a right to demand from their employer that which they are not willing to give to their employer; that they have no right to demand honesty from him and not give in return absolute honesty (Great applause); that they have no right to demand a consideration which they are not willing to give; that after all right involves a relationship of two people and never only of one person. (Applause.)

That is a most surprising and interesting thing and the most hopeful sign of all the signs that I know of in the business world today, that ethics is taking its proper place in the thought, and more than that, in the lives of American business men.

After all, you are usurping the position long held by the preachers, by the professors, by the professional men. The American business man today is becoming not only a world leader in business production, but he is becoming a leader in the embodiment of his own self and in his business relations of ethical considerations. Business is growing better, because the men that are in it are growing better, because ethical considerations are dominating their lives and their relations.

The boys who have been studying under me for the past three or four years, when they came into my office before graduation this year to ask me about their future careers, did not say, I want to be a lawyer, I want to be a doctor, or I want to be a social worker; but I found that the brightest and the brainiest, most decent fellows that I had were going into business. (Great applause.)

It is men like that that are changing our ideals about business. The fellows with the clean moral fiber, the strain of decency and honesty and manhood in them, that are taking up business seriously and honestly, realizing its moral implications—these are the men that are changing or helping to change business; these are the men that you men who already have these ideals will find coming under your direction, under your guidance, and after all, you men are teachers as well as practitioners of the new business ethics. I thank you. (Great applause.)

M. J. Kohn, Baltimore—I move you that this convention give a rising vote of thanks to Prof. Parker for his able address. Motion seconded and unanimously carried.

President Salisbury—I am not at all surprised at the remarks that have just been made by Prof. Parker. These Parker boys, you know, are all right.

The next business we have on hand is the report of our Membership Committee, not by W. H. Parker, of Cincinnati, but H. W. Parker, of St. Paul. (Great laughter and applause.)

Harry W. Parker, St. Paul—

Mr. President and Gentlemen:

I come from no mean city to deliver an epistle from St. Paul. (Laughter.)

When I came into the convention hall a little while ago, my composure was sublime, but the rattle and noise of hand musketry has thrown me into such confusion of mind that it is with difficulty I can collect my scattered thoughts. Indeed, the army of thoughts I held in full command when I came in has broken ranks, and I find myself deserted upon the field. (Laughter.) I sound the bugle call of assembly, but it falls upon unheeding ears. The difficulty I experienced in gathering together

even a fragment of the scattered troops is equaled only by the experience of Pat Kline and his fellow workmen:

Tim Casey and his friend Pat Cline
Were blasting rock one day,
When the blast went off and blew poor Tim
Clear to the milky-way.
When Tim came down he came so fast,
His soul was left behind;
An arm and leg were all of him
That they could ever find.
The foreman said to Pat: 'Go home
And see Tim's poor old wife,
And gently break the news to her
That Tim has lost his life.'
So, Pat went sadly to Tim's home
And when he saw Tim's wife, he cried:
'Did Mr. Casey have insurance on his life?'
'You bet your life he has,' says she.
'Hurrah for that,' says Pat;
'We can't collect your husband,
But we'll help you collect that!" (Great laughter.)

When the board of directors honored me by making me the chairman of the Membership Committee, they sent as special ambassador, "Sir" Harry Tregoe, to apprise me of the fact. When he acquainted me of his mission, I objected, I remonstrated, but to no avail. "Sir" Harry approached me in an affable manner, with that engaging smile for which he is noted; (laughter) his eyes agleam, with lips parted in a bewitching smile, he wooed and wooed, and as he warmed and glowed in his wooing, I felt myself relenting, my cold heart melting, and before I knew what I was saying, I had answered "Yes." (Laughter.) His engaging smile, his affable manner, his courtly mien, his politeness, if you please, had won the day.

And speaking of politeness reminds me of the story told of the late President Harahan of the Illinois Central Railroad:

A burly Irishman opened the door abruptly and walked into Mr. Harahan's office and said: "Ar're yez the prisdint?" "I am." "Well, me name is Casey—Michael Casey; oi worruk out in th' yar-r-ds. Oi want a pass to St. Louis." The President replied: "Well, my man, that is hardly the way to ask for a pass; you should be more polite. Take off your hat. Now you go away and come back in an hour and see if you can do any better." An hour rolled by; a tap came on the president's door: "Come in," said a voice. Mike walked in. Removing his hat, he said: "The top o' the marnin' to yez, soor." "The same to you, sir." "Ar're yez the prisdint?" "I am." "Well, sorr, me name is Casey—Michael Casey, and oi worruk out in the yar-r-ds." "I am very glad, indeed, to know you, Mr. Casey, and what can I do for you?" "Yez can all go to hell—oi've got a job and a pass on the Wabash." (Great laughter and applause.)

The president's introduction reminds me of the introduction given by a certain Scotchman—because it is so different.

A gentleman whose travel talks are known throughout the world, was billed to appear in a small town in Scotland, about five miles from a railway station. The chairman in introducing the traveler referred to him as the "Mon wha's coom from awa tae broaden oor intellects," and

he said: "At this point I feel that a wee bit of prayer may not be out of place," and continued: "Guid Lord, put it intae the heart of this mon to speak the truth, the hale truth and naething but the truth"; and concluded with this petition: "And guid Lord, gie us grace tae understand him." Then with a side glance at the lecturer, the chairman said: "I've been a traveler myself." (Applause.)

As I left my seat a moment ago to come at the call of your president, a gentleman sitting near me said: "Parker, cut the report short; come to the point immediately." The gentleman's remark reminds me of a young man, a graduate of Yale, who went to a publisher in New York and confided to him that he wanted to engage in a literary career. He asked the publisher to advise him what he should do. "I think that I have it in me to become a great literary star," the young man said. The publisher replied:

"Young man, there is just one thing you should always keep in mind. When you are writing a story, come to the point immediately. Don't let your readers wade through a lot of descriptive stuff regarding scenery and what not; say something in the beginning that will make them sit up and take notice and you have got them."

The young man went away. Some weeks afterwards the publisher received a large envelope, opened it up and found it contained a manuscript from this young man; and to show how thoroughly the young man had absorbed his advice, he found in the first sentence of chapter one, these words: "Oh, hell!" cried the dutchess, who from excess of modesty had hitherto taken no part in the conversation." (Laughter.)

I have given you the text from which I shall deliver my discourse, and I shall now proceed to its illustration.

You have the printed report. I cannot understand why I should bore you by reading something that you yourselves, I believe, are able to read. It seems to me that as the resolutions offered by the committee contain in brief everything that is said in the report before, it will be perfectly in keeping if I simply read the resolutions.

President Salisbury—There are no objections.

Mr. Parker—I thank you, sir.

The resolutions were then read and the committee's report ordered made a part of the proceedings.

Report of Membership Committee

To the Officers and Members of the National Association of Credit Men.

Your Committee on Membership presents below the total membership of each local association as recorded in the National office at the close of this year, and the total membership of each as recorded on June 1, 1912, also the total individual membership as of the two periods.

At Boston one year ago the membership stood at 15,845. The membership at the close of this year is 17,145, and a net increase for the year is therefore shown of 1,300.

There were organized by our field representatives during the year ten new affiliated branches at

Chattanooga, Tenn.
Green Bay, Wis.
Hartford, Conn.
Evansville, Ind.
Peoria, Ill.

Roanoke, Va.
Sioux City, Iowa,
Sioux Falls, S. D.
Washington, D. C.
Worcester, Mass.

These branch associations were organized in each instance through local interest and demand. They are so located geographically that the influence of the National Association of Credit Men is materially strengthened. There is everything to indicate to your committee that these new bodies will prosper.

We must refer with feelings of gratification to the forming of an association at Sioux City, for when the National body was organized in 1896, there was an association in that city which gave us the first president of the National Association.



H. W. PARKER
-Merchants National Bank, St. Paul, Minn.
Chairman, Membership Committee and Director

The formation of an association at Sioux Falls, S. D., was also a distinct gratification, for the reason that prior to its organization we were without an association or individual member in South Dakota.

It was discovered by your committee upon a careful study of the field, that while a new local association is under consideration there is a wave of lively interest, which if not conserved may lead to discouragement and a belief upon the part of the new and inexperienced officials that the local work is not properly progressing. We earnestly commend.

therefore, to the succeeding Membership Committee and to the Secretary the welfare of the associations organized this year, and those that will be organized hereafter. We urge the need of extending the officials of these new organizations every possible advice, guidance and co-operation, letters of a general or specific nature should be written to the officials and members, their welfare and progress closely observed, and effort made to create in these localities a consciousness of the substantial value and work of our Association.

Your committee appreciates that each succeeding year will bring its distinct problems in the membership department which will demand very earnest thought and consideration from committees, officers and directors.

We have the right to look with pride upon our present numerical strength and the fact that we are the largest commercial organization unit in this country and probably in the world. Wisdom, soundness of effort and unselfishness of principle have established the confidence in credit grantors which has permitted our splendid yearly increase and forced a general recognition of our special work; but the very fact of this large membership will bring new problems, both in maintaining the Association's integrity and adding a reasonable increase yearly.

Your committee has observed that where a local association is sufficiently large in numbers and income to retain the exclusive services of a secretary, its membership problems are best and most successfully handled, but where associations,—and there are a large number of them,—are not of sufficient size and income to retain the exclusive service of one person in the secretarial office and depend upon voluntary or meagerly compensated work, the membership problems are not so well controlled, and it is our conviction that the National office must endeavor to render to the smaller associations very special and substantial assistance in holding their membership intact.

We recommend therefore, that beginning with the new year, whenever desirable members of local associations are reluctant to renew, before their resignations are accepted, the names and circumstances be reported to the National office and its co-operation solicited for their retention.

It frequently occurs that a credit department manager fails to use the service of the Association to cultivate a contact with other credit men, to take the trouble to understand what the Association is and will accomplish, and that from its work there is yielded, directly or indirectly, an annual dividend to every credit grantor. In such cases the National office can supply literature and advices by direct communication that will result in many instances in retaining indefinitely these members and thus contribute a character of co-operation with local efforts which should be generally availed of.

We also recommend that whenever a resignation is accepted by a local association and reported to the National office the reasons which led to it accompany the report of resignation, and that there be kept in the National office a record of the various reasons for the resignations hereafter accepted. This record will be interesting to future Membership Committees for it will aid them in reaching substantial conclusions upon Association plans with a view to maintaining the integrity of the membership and to reasonably increasing it.

Beyond question interesting and beneficial public meetings will contribute largely to the retention and increase of local interest and it will be well for the National directors to have the problems of public meetings especially studied and recommendations tendered the local associations as to the most effectual plan for their promotion.

There was evident this year upon the part of local associations a tendency to observe closely the standard qualifications of the National Association for membership, and this led to the weeding out of many non-credit grantors and the denial of membership to those whose business was not properly related to credit granting. The present membership of the National Association is perhaps of a better type as related to proper membership qualifications than at any time in its history. We urge that a high standard of membership qualification be continually maintained by each local association.

We must congratulate and commend our three field representatives, Mr. R. B. Heacock, Mr. T. B. Howard and Mr. B. C. McQuesten. They have each done a very earnest piece of work this year, adding materially to our individual membership, increasing the interest of those who were members, and organizing new associations.

The members of your committee were earnestly devoted to their responsibilities and gave to the chairman great encouragement and constant co-operation.

There was discovered also a hearty response in every direction to the appeals of your chairman and the members of your committee, and in concluding this report we want to counsel each local association to appoint a local Membership Committee and that such committee be kept alert by suggestions and literature from the National office and the Membership Committee.

Your committee begs to offer the following resolutions:

I.

"Resolved, That the National Association of Credit Men in convention assembled, urges upon each local association the appointment of a Membership Committee and that the encouragement and activities of these committees be the direct responsibility and study of the National office and of the Committee on Membership.

II.

"Resolved, That each local association, before accepting the resignation of a desirable member, report same to the National office and that such member be advised direct from the National office upon the accomplishments of the Association, the value to be derived through its several departments, and the need of co-operation in promoting and defending sound commerce and credits.

III.

"Resolved, That each local association, when accepting a resignation and reporting such resignation to the National office for proper record, furnish the reasons for the resignation so that thereafter there may be kept a record which will show when resignations were unavoidable and due to retirement from business or consolidation.

IV.

"Resolved, That every possible encouragement be extended at all times to newly organized associations from the National office or succeeding Committees on Membership through advice, literature and letters.

V.

"Resolved, That it be the careful study of the National office or of some committee especially created for the purpose to assist in

making the public meetings of the local associations effective in maintaining the integrity of the present membership and in interesting new members."

Respectfully submitted,

R. A. DURKEE,
T. W. GREEN,
MAX OBERNDORFER,
H. A. SEDGWICK,
H. W. PARKER, *Chairman.*

COMPARISON IN MEMBERSHIP FIGURES BY LOCAL ASSOCIATIONS, DATES JUNE 1, 1912, AND JUNE 1, 1913, BEING USED.

| | June 1, 1912. | June 1, 1913 |
|---------------------|---------------|--------------|
| Atlanta, Ga. | 135 | 174 |
| Baltimore, Md. | 472 | 507 |
| Birmingham, Ala. | 52 | 71 |
| Boise, Idaho | 25 | 26 |
| Boston, Mass. | 426 | 510 |
| Bristol, Va.-Tenn. | 39 | 54 |
| Buffalo, N. Y. | 336 | 324 |
| Burlington, Vt. | 26 | 23 |
| Butte, Mont. | 32 | 33 |
| Cedar Rapids, Ia. | 38 | 36 |
| Charleston, S. C. | 31 | 33 |
| Charleston, W. Va. | 53 | 56 |
| Charlotte, N. C. | 25 | 25 |
| Chattanooga, Tenn. | — | 63 |
| Chicago, Ill. | 1,125 | 1,162 |
| Cincinnati, Ohio | 255 | 301 |
| Cleveland, Ohio | 700 | 711 |
| Columbia, S. C. | 33 | 32 |
| Columbus, O. | 201 | 196 |
| Dallas, Tex. | 83 | 73 |
| Davenport, Ia. | 30 | 37 |
| Decatur, Ill. | 34 | 27 |
| Denver, Colo. | 155 | 164 |
| Des Moines, Ia. | 78 | 83 |
| Detroit, Mich. | 495 | 533 |
| Duluth, Minn. | 61 | 64 |
| El Paso, Tex. | 46 | 45 |
| Evansville, Ind. | — | 53 |
| Fargo, N. D. | 39 | 41 |
| Fort Smith, Ark. | 17 | 28 |
| Fort Worth, Tex. | 99 | 62 |
| Grand Forks, N. D. | 33 | 32 |
| Grand Rapids, Mich. | 301 | 277 |
| Green Bay, Wis. | — | 61 |
| Hartford, Conn. | — | 66 |
| Houston, Tex. | 23 | 22 |
| Indianapolis, Ind. | 103 | 130 |
| Jacksonville, Fla. | 42 | 47 |
| Kansas City, Mo. | 199 | 210 |
| Knoxville, Tenn. | 43 | 57 |
| Lexington, Ky. | 42 | 35 |

June 1, 1912. June 1, 1913.

| | | |
|----------------------|--------|--------|
| Lincoln, Neb. | 51 | 44 |
| Los Angeles, Cal. | 173 | 194 |
| Louisville, Ky. | 134 | 114 |
| Lynchburg, Va. | 36 | 44 |
| Memphis, Tenn. | 220 | 251 |
| Milwaukee, Wis. | 274 | 302 |
| Minneapolis, Minn. | 252 | 251 |
| Montgomery, Ala. | 44 | 43 |
| Nashville, Tenn. | 141 | 172 |
| Newark, N. J. | 375 | 358 |
| New Castle, Pa. | 18 | 17 |
| New Orleans, La. | 262 | 278 |
| New York, N. Y. | 1,280 | 1,403 |
| Norfolk, Va. | 159 | 159 |
| Oklahoma City, Okla. | 67 | 59 |
| Omaha, Neb. | 113 | 116 |
| Peoria, Ill. | — | 58 |
| Philadelphia, Pa. | 705 | 813 |
| Pittsburgh, Pa. | 1,012 | 965 |
| Portland, Ore. | 211 | 204 |
| Providence, R. I. | 42 | 49 |
| Pueblo, Colo. | 28 | 28 |
| Richmond, Va. | 159 | 166 |
| Roanoke, Va. | — | 25 |
| Rochester, N. Y. | 245 | 261 |
| St. Joseph, Mo. | 87 | 87 |
| St. Louis, Mo. | 502 | 545 |
| St. Paul, Minn. | 193 | 261 |
| Salt Lake City, Utah | 123 | 121 |
| San Antonio, Tex. | 48 | 48 |
| San Diego, Cal. | 36 | 18 |
| San Francisco, Cal. | 171 | 193 |
| Savannah, Ga. | 38 | 41 |
| Scranton, Pa. | 29 | 30 |
| Seattle, Wash. | 235 | 275 |
| Selma, Ala. | 26 | 19 |
| Sioux City, Iowa | — | 61 |
| Sioux Falls, S. D. | — | 35 |
| Spokane, Wash. | 92 | 83 |
| Springfield, Mass. | 38 | 38 |
| Syracuse, N. Y. | 113 | 99 |
| Tacoma, Wash. | 60 | 70 |
| Toledo, Ohio | 133 | 127 |
| Utica, N. Y. | 80 | 106 |
| Washington, D. C. | — | 44 |
| Wheeling, W. Va. | 67 | 91 |
| Wichita, Kan. | 102 | 92 |
| Wilmington, N. C. | 52 | 40 |
| Worcester, Mass. | — | 35 |
| Youngstown, Ohio | 160 | 146 |
| Individual | 1,532 | 1,582 |
| | 15,845 | 17,145 |

MEMBERSHIP SCALE.

| | |
|------|--------|
| 1896 | 600 |
| 1897 | 1,591 |
| 1898 | 2,332 |
| 1899 | 2,536 |
| 1900 | 3,006 |
| 1901 | 3,572 |
| 1902 | 4,004 |
| 1903 | 4,554 |
| 1904 | 5,327 |
| 1905 | 6,061 |
| 1906 | 7,509 |
| 1907 | 8,647 |
| 1908 | 9,791 |
| 1909 | 11,185 |
| 1910 | 12,796 |
| 1911 | 14,424 |
| 1912 | 15,845 |
| 1913 | 17,145 |

Mr. Parker—I offer the report and the resolutions as read for adoption. Seconded by J. H. Kentnor, of Saint Louis.

President Salisbury—The report of the committee and the resolutions are before you. The open parliament will be led by George C. Morton, of Boston.

Mr. Morton—It is a pretty difficult task to start in on business after listening to the very entertaining report of this committee. I hope you will pardon me if my subject seems a little dry. I think that the matter of membership is one of great importance, and I am sure we are all glad to see the great growth during the past year of some fourteen hundred new members; and we look forward hopefully to the coming year.

From my own experience I think that the best results in the membership work come from having the meetings of the local associations regularly through the winter season. I know we are getting much better results in Boston since we started the idea of having our meetings once a month regularly through the winter. Some of our older members thought we were having too many meetings, that it was not necessary, but we have kept the meetings going, the attendance is increasing all the time and a greater interest is coming out all the while.

I think that the resolution which provides for a membership committee is a good one. I think every association wants a good, live, active committee, with a lot of enthusiasm to keep the work right up through the season, and not do a little work once in a while, as is often the case.

I believe that a good many members have lost interest in the work of the Association and have perhaps resigned or dropped out,

because they have not been followed up. If you could keep tab on those who attend your meetings and make a list of such members as do not turn out, and, if possible, get in touch with some members who are well acquainted with those members, and get them to go to them personally and invite them to come to the meeting and sit with them at the dinner and get them interested, it would be well. I think a great many men need a little attention in that way, they do not seem to turn out unless some one follows up and gets them interested; and I think that might be a good suggestion with a view to interesting the members and keeping them awake and perhaps preventing some from dropping out or resigning.

The literature is very important; the sending out of the monthly bulletin is important. I think a bulletin giving a summary of the work of the previous monthly meeting, what was done at that time, also presenting credit news items and local items and things taken from the monthly secretary's letter, keep up the interest and prevent members from dropping out.

I sincerely hope that when we assemble at our next convention we shall have reached the twenty thousand mark. (Great applause.)

President Salisbury—J. H. Scales, of Louisville, will follow Mr. Morton.

Mr. Scales—The report of this committee may have been an agreeable surprise to some of you. To me it was agreeable both as written and spoken, but it was not a surprise. When I learned the personnel of this committee, particularly the name of its chairman, I felt that the result was assured. You have all heard the expression, "that beats the Dutch," which I suppose means that to do so is an unusual accomplishment. I certainly would not cast any aspersions on our Teutonic friends or members, for I have only praise for their fidelity and integrity; but when you want to insure results in advance you have got to take the canny Scotchman for the job. (Laughter.) So when Mr. Parker's name was mentioned I felt that the result was assured.

But speaking seriously, it occurs to me that one of the points to be considered by succeeding membership committees is that of the quality of our membership. In the past we have been remarkably successful in maintaining a very high standard. Strict requirements are placed upon the qualifications of the individual members, but it has never been possible to impose such qualifications upon the members that come through our affiliated associations. I believe that time and again the National Association in convention has expressed by strong resolutions to the affiliated associations its opinion as to the qualifications for membership, namely, that it consist of those who are actually interested in the granting of credit, and that while commercial strength is to be desired, better results will be obtained through an organization whose interests are mutual, whose purpose is single, and without a membership that might strive to introduce some selfish end.

We have been told that this is the largest commercial organization in this country, possibly in the world. It already is large enough to accomplish any reasonable work that it might undertake, and while we expect it to grow in numerical strength, I think we must see to it that the standard of its membership is maintained, and that we avoid any entangling alliances or the possibility of any embarrassment by the introduction of subversive principles; and, my friends, if we keep this thought in mind, I shall feel assured that the dreams of the brave six hundred that launched

this organization upon the sea of time some seventeen years ago will be more than realized. (Applause.)

The committee's report and resolutions offered were then unanimously adopted.

Recess taken until 2.30 P. M., same day.

THIRD DAY

Thursday, June 19, 1913

AFTERNOON SESSION

The afternoon session of the Association was called to order at 2.30 o'clock P. M. by President Salisbury.

The secretary read a telegram from Portland Association of Credit Men as follows:

"Our annual meeting extends greetings to the National Association and reports the most prosperous year in its history under the leadership of B. K. Knapp, and looks forward to even greater attainments during the administration of Mr. Wasserman, the newly elected president. Our association congratulates the National Association, and has full confidence that the year to come will show greater results; and it pledges its earnest support and hearty co-operation to the incoming administration. Minimum temperature, 60 degrees; maximum, 80 degrees." (Laughter.)

Secretary Tregoe—The Nominating Committee reports as follows:

The Nominating Committee begs leave to report the nominations made in due form of the following eighteen members as candidates for directors:

| | |
|---|-------------------------------------|
| C. R. Burnett, Newark, N. J. | C. D. Joyce, Philadelphia, Pa. |
| J. M. Callander, Des Moines, Iowa. | Samuel Mayer, Cincinnati, Ohio. |
| A. C. Carpenter, New Orleans, La. | H. G. Moore, Kansas City, Mo. |
| Jas. A. Dick, El Paso, Texas. | Rich. J. Morawetz, Milwaukee, Wis. |
| J. Howard Edwards, Youngstown, Ohio. | J. N. Moylan, Dallas, Texas. |
| Harry B. Grainger, Lincoln, Neb. | H. W. Parker, St. Paul, Minn. |
| L. E. Hall, Wilmington, N. C. | W. M. Pattison, Cleveland, Ohio. |
| R. H. Hitchcock, Fitchburg, Mass. (Individual). | J. Edward Stilz, Indianapolis, Ind. |
| | E. M. Underwood, Portland, Ore. |
| | S. J. Whitlock, Chicago, Ill. |

President Salisbury—You have heard the report of the Nominating Committee. The object for which they were appointed having been accomplished they will be discharged with the thanks of the officers and the Association.

The first order of business was to have been an address by Robert H. Montgomery, of New York. Mr. Montgomery being unable to attend and our program being so full of important work this afternoon, it has been decided by the board of directors that this order of business be omitted.

Mr. Montgomery's address is made a part of the proceedings and is as follows:

The Fallibility of Unverified Financial Statements

ADDRESS BY ROBERT H. MONTGOMERY, NEW YORK, PRESIDENT, AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS.

Existence would not be endurable without optimism, and the tendency to make the best of things is highly commendable. This tendency, however, when fully developed encourages a disposition to deceive one's self,

which is not wholly objectionable when applied to sociological matters, but for one who seeks credit from another to deceive himself is deplorable and without excuse. It is questionable whether the time will *ever* arrive when a man can be depended upon to prepare an absolutely impartial statement of his own financial affairs. The one basic reason is that we all *are* fallible, the fallibility of human nature being as old as the race.

Furthermore, as a perfect financial statement would be possible only if based on infallibility, we must consider that perfection means 100 per cent. efficiency in those human functions which are always more or less imperfect. We cannot, if we would, make machines out of ourselves, and it is machines only that can operate at 100 per cent. efficiency. Even the machine itself cannot continue at its maximum efficiency for any considerable period of time, so that it would be most unreasonable to expect human beings, who at their best are probably not 75 per cent. efficient, to turn out product on an equal basis with a 100 per cent. perfect machine.

Therefore, the financial statement proceeding from a fallible source may be expected to be as far short of perfection as the producer himself. This may appear to be too strong, but I am prepared to prove that it is conservative.

In the first place, every statement of financial condition is an estimate, even though it is an exhibit of the assets and liabilities of a concern which has nothing but currency on one side, and capital stock on the other. The ultimate realization of the cash depends upon finding it in the cash drawer when it is wanted, and an estimate must take into consideration the fact that sometimes it is missing. This is the first element of uncertainty. Then, too, whether the concern is one day or one year old, liabilities may have been incurred which the particular person who prepares the statement knows nothing about, but which are none the less binding upon the concern. This is another and very common element of uncertainty.

But we are chiefly interested in the average enterprise, the one with accounts receivable, inventories, plant and other fixed and miscellaneous assets; with accounts and notes payable, accrued liabilities of certain and uncertain nature. Do we not know from experience that the values placed upon all of these items are estimates and subject to fluctuation from one hour to another?

Assume an extreme case: A concern may be dominated by an executive of extraordinary ability, who devotes an immense amount of time to his plant and product, who knows values and who applies his knowledge. The bookkeeper is a master of his art; he has a common sense as well as a technical knowledge of the affairs of the concern; he can visualize the operations of the business to such an extent that the books of account truly represent actual transactions. All of these and other elements of the organization are concentrated upon the preparation of a financial statement intended to represent the most accurate exhibit humanly possible.

After all is said and done, the statement merely reflects the *opinion* of those who prepared it; they have estimated the value of the assets and the amount of the liabilities and nothing in their power can make it anything else. In nine cases out of ten a rank outsider, but one familiar with the line of business in question, and competent to pass judgment, would disagree with some of the valuations, and his estimate might be as near the truth as that of the one who fixed the values.

Now, if we find the *ideal* statement founded upon and dependent upon estimates which are open to question, what is to be expected where ideal conditions do not exist; where the executive is more or less indifferent to the recording of transactions and the fixing of values of plant and product, where the bookkeeper is more or less skillful and lacks the power to connect book entries with day-by-day transactions? Is it not inevitable that additional grounds for differences of opinion exist, and that the likelihood of serious error increases until it includes a large proportion of cases involved?

I have not referred, and do not intend to refer at this point, to statements which are fraudulent or where there is an intent to produce dishonest statements. I will discuss this class later.

In referring to the great class of inaccurate statements, I speak from experience in stating that the controlling motive in preparing balance sheets which show a greater net worth than is warranted by the facts is the human tendency to make the best of things. In other words, the average man cannot be expected to, *and does not*, place a true value upon his property, nor does he recognize and record the full extent of his debts.

Probably no one in this country has given more thought to the question of financial statements than Mr. James G. Cannon, president of the Fourth National Bank of New York. In an address some years ago, he said:

"Statements of financial condition should bear the certificate of a certified public accountant, because (among other reasons) inaccurate and dishonest statements are being constantly received. Many statements reach us which are made by irresponsible parties—clerks and under-men—and the management is frequently in ignorance of true conditions. Protection against such is essential."

Let us see whether or not a reasonable measure of protection *has* been realized during recent years.

During 1912 there were, as stated in "Dun's Review," 15,452 business failures in the United States, with liabilities of \$203,000,000. The "Review" says: "During 1912 there were about 2,000 more failures than in the preceding year, and this, unless it can be explained, is in direct antagonism to the plain evidences of agricultural and industrial prosperity and mercantile activity during the year. The larger number of small defaults may be due to the fact that more people are going into business with insufficient capital and experience, and thus fall by the wayside."

Probably *all* of the 15,452 submitted statements on uniform blanks provided for the purpose. I venture to say that every one was materially inaccurate. If compulsory verification were in force, how many of those statements would have stood the test?

Last month, that is, during May, 1913, business reverses were 1,246 in number, with total liabilities of nearly \$17,000,000 (this is the smallest total reported for any month this year), and the number of failures was greater than in any May since 1908, and the aggregate amount of liabilities was the heaviest in over a decade past.

You, of course, are familiar with these figures and their significance. Your organization adopted uniform statement blanks fifteen years ago, that is, in 1898. Their use has been of tremendous assistance in the onerous and important duties which are imposed upon you in

your official capacities. Is it not a fact, however, that the outcome of the use of statements has been somewhat unsatisfactory? Have not the weaknesses pointed out by Mr. Cannon many years ago continued? Am I not right in stating that millions of dollars of unjustifiable losses are being incurred annually by reason of a false sense of security arising out of the custom of accepting statements prepared by *interested* parties.

I am heartily in favor of standard forms, but it must never be forgotten that the man who overstated his net worth before the adoption of uniform blanks in all probability continues the practice. I have compared your official form of statement with those in use by the bankers and the mercantile agencies, and it is a much better form than any other I have seen.

The forms used by the mercantile agencies are the least scientific of any in general use. As you are vitally interested in the reports secured by the agencies, I would suggest that you use your efforts to have them improve their forms.

If you were to insist, further, that the agencies designate by a suitable mark, say a star, those concerns from which they have secured certified statements, you would have, in my opinion, readily available a Roll of Honor so far as credit risks are concerned. Within a reasonable time all of the good concerns would have the designation, the weak ones could not get it, and a considerable percentage of your losses would disappear.

If, then, the compulsory uniform statement has not proved to be the panacea which you hoped for, is it not reasonable to suppose that the suggestion of Mr. Cannon referred to, if carried into practice, can do no harm, and possibly may be of unlimited value, by reason of the strength which will be added to the honest and strong concern which presents a certified statement, and the stoppage of credit which will follow where a verified statement is refused.

In an address before the American Association of Public Accountants, Chicago, September, 1912, Mr. David R. Forgan, President National City Bank, Chicago, said:

"In a bank managed by experienced men, almost all of the losses are due to one cause, namely, incorrect statements either innocently or wickedly made by the borrower. Any banker of average intelligence can tell a good statement from a bad one—provided it is a true statement. But there's the rub! Is it a true statement? In many cases the revelations coming after bankruptcy prove that the statements recently submitted as a basis for credit were so far from true that they must have been deliberately made to deceive the banker. I say this after making full allowances for change of conditions and point of view. This does not prove, however, that statements are untrue as a general rule. So long as a business is prosperous, there is no need for incorrect statements. Experience, however, proves that few men squarely face the facts when their business drifts into trouble, and still fewer have the courage to reveal the truth to their banker. The result is that between self-deception and moral cowardice the banker is deceived into making loans which entail loss, and which he never would have made had he known the facts."

The experience of professional accountants fully bears out the contention which I have offered to prove. We, of course, find that in practically every case of insolvency or liquidation there has been an over-

statement of net worth, but eliminating this class we find solvent concerns are not so careful as they should be with respect to the accuracy of their statements. Here it may be laid largely to optimism but it is none the less dangerous, for it frequently leads to insolvency and consequent loss to creditors.

We find, for instance, in that vast number of cases where insufficient provision is made for bad debts, other losses, obsolescence and depreciation of plant and fixtures, that the *over-statement* of profits leads to excessive *withdrawals* of profits, so that the actual profits of a concern may be considerable, but if the book profits are largely overstated, the



RICHARD J. MORAWETZ
The Morawetz Co., Milwaukee, Wis.
Director

withdrawals from the business, which are naturally based on book profits, are almost sure to be excessive, which inevitably leads to ruin.

In many of these cases, perhaps in most of them, the fault is wholly unintentional. Whether we call it optimism or ignorance, the result is the same and the remedy is the same. What such a concern needs is expert and friendly advice, and this must be based upon an analysis and verification of the financial statements.

Estimates will still be the basis, but the impartial scrutiny of a skillful adviser will tend to revise the estimates by pointing out the errors or weak spots.

If it can be made apparent to the man who overstates his net worth that in fooling himself he is doing himself positive harm, and that the detriment is not offset by the benefit of any temporary extension of credit he may receive, are we not doing him a great service?

Procrastination is as harmful as optimism. The executive knows that some of his assets are overvalued or that liabilities have been incurred or losses sustained which do not appear upon the books, but he does not have the nerve to face the decrease in his net worth which would follow the proper treatment of the items; he hopes that next year will show greatly increased profits, and he promises himself that out of these profits he will adjust his accounts to true values. But the hoped-for day never arrives, and year after year he signs a statement which does not correctly set forth his true financial condition.

We have all heard the story of the judge who would not credit the assertion that petitions were worthless as expressing the real opinions of signers, but who changed his mind subsequently, when he was confronted with a petition signed by most of the prominent citizens of his city praying that he (the judge) be hanged.

So it is with statements. They are signed in many cases by business men without the slightest verification on their own part, and if, as is often the case, serious but innocent errors have slipped in, the erroneous statement goes forth uncorrected.

A few days ago I was asked by the president of a corporation why it was that they had received a bill for the federal excise or corporation tax amounting to some hundreds of dollars when he knew that they had been losing money for the last two years. Inquiry developed the remarkable situation that the company's lawyer had prepared the return upon which the tax was based, and being unfamiliar with figures, had transposed some of them so that a result was reached which was just opposite to the true one. The president of the company signed the return and made an affidavit to its accuracy.

This would be an unfair example if it represented an isolated case, but every banker, every credit man, every accountant knows that the carelessly executed statement is too often in evidence.

If statements circulated only locally, there would be a most valuable check upon their accuracy. Credit men and bankers, by reason of their experience and skill, can almost intuitively detect a tendency to an overestimate of net worth. But the average statement of financial condition travels far and wide and it is a physical impossibility for the dispenser of credit to secure what might be termed the "atmosphere" surrounding the enterprise from which the statement emanates.

I know that rules have been formulated for analyzing the several items of assets and liabilities which appear upon the statements, that cleverly drafted forms must be used and skillfully drawn questions must be answered, but I know, and you know, that so long as we continue to be fallible human beings, net worth will be overstated by the marking up of assets or the marking down of liabilities, or by other means which accomplish the same purpose.

Those whose knowledge of this unfortunate condition has been most keen have for many years favored stricter laws governing the issuance of false statements, and I am glad to say that these efforts

have met with a fair measure of success. But vast numbers of incorrect statements are in circulation, the discovery of which does *not* subject those who are responsible for them to statutory punishment. Uniform false statement laws are being adopted rapidly, and the movement should extend to every state. I wish to take this opportunity to congratulate your Association on the vigor and persistence with which you have prosecuted your campaign for improvements in the laws governing the issuance of false statements. Harold Remington, Esq., of the New York bar, in his very admirable little book, "The Laws Against False Financial Statements," states that these laws in substantially identical form have been adopted within the last four years by New York, New Jersey, Illinois, Ohio, Connecticut, Michigan, Minnesota, Missouri, Montana, New Mexico, Rhode Island and Tennessee—a most respectable and satisfactory showing.

Unfortunately, however, these laws do not reach in any way the inaccurate and misleading statements to which I have thus far referred, for these laws are taken up with crime, with intentional falsification of statements, while there still remains the broad margin—the broadest field of all—the reckless statement, or the statement signed in ignorance that does harm just the same, like the gun that was not thought to be loaded.

The first section of the new law reads in part: "Any person who shall KNOWINGLY make or cause to be made any false statement in writing," etc. Now, it must be "knowingly" and it must be "false," and "false" imports fraud, so that the great class, the greatest class, of inaccurate statements which are being used today as a basis of credit is not reached by the new law—this criminal law—admirable as it is.

It undoubtedly checks the crook, but most business men are not crooks, and while none of us would criticize this happy condition, yet we are not helped in our desire to eliminate those incorrect, but *not* fraudulent, statements which are more apt to lead to losses than the fraudulent ones. You are all familiar with the conundrum which is appearing in the advertising pages of the magazines, "Why is it that we get more wool from white sheep than black ones?" The answer, "Because there are more of them," illustrates my point. Losses incurred by extension of credit to concerns where no one can be criminally prosecuted are *tremendously greater* than are those based on fraudulent statements.

Independent verification is quite as important with respect to one class as the other, but in view of the limited time at my disposal, I will not discuss at length the advisability of insisting upon the verification of all statements where the slightest suspicion that irregularities of any kind exists, because the wisdom of such a course is obvious, and it may be taken for granted that all those empowered to insist upon a verification, the bankers and credit men chiefly, will, and do, recognize the necessity for this step.

My concern is that the verification is least in evidence where it is most needed. It is the trusted employee who defaults. Of course it is, because he is the one who has the opportunity—he is not watched.

The big losses you sustain year in and year out come as a surprise to you from the respectable and honored concerns, the concerns whose statements the bankers and credit men do not verify personally nor cause to be verified by some independent means.

To summarize, inaccuracies arise from:

1. The fallibility of human nature, which, with respect to financial statements, leads to optimism, the making the best of things, which inevitably leads to the perhaps unconscious overstatement of assets, and understatement of liabilities.
2. The inevitable errors which arise in the use of estimates, honest errors, but errors which almost always result in an overstatement of net worth.
3. Ignorance of executives and clerks, inefficient methods and systems, resulting in misleading statements of financial condition. Strange to say, such statements nearly always overstate net worth.
4. Consciousness of weak spots, but coupled with a mental reservation to adjust them later.

If we can agree that the factors named are of sufficient importance to warrant an independent verification; if it is true that for his own sake, as well as for the benefit of the dispenser of credit, the seeker for credit should have his statement verified, how is it to be done?

While I speak to you as a representative of the profession of accountancy, I would not magnify our worth. I recognize, for instance, that in a financial statement perhaps the most important item is the inventory, and I believe that few are so well qualified to pass upon the actual value of an inventory as a good credit man. I know of no one so well qualified to pass upon the notes and accounts receivable as a good banker. But there is a natural limitation, purely physical, which makes it impossible for the credit men and the bankers to extend their services to those who need them the most, so that whether we like it or not, the public accountants of the country are the only ones who are available to act as the intermediaries between the dispensers and the recipients of credit. They are a necessity to the former and a most valuable aid to the latter.

Accountants have learned much and have much to learn. Within the last few years we have been taught the importance of aiming at the "high spots," of magnifying the essentials and minimizing the non-essentials.

Over \$100,000,000 of net losses were sustained through business failures during 1912, and this in spite of a great improvement in credit reporting and credit methods. Most of the failures were of concerns whose financial statements were unverified.

In view of this record and the comparatively small use now made of professional auditors, is it unreasonable or undignified to suggest more active co-operation between credit men and professional accountants for their mutual benefit?

It is not contended that the professional auditor should attempt the manifold duties of the credit man, nor that the latter should burden himself with the technical knowledge required to make an audit. It is, however, urged without fear of successful contradiction that an auditor would be able to render better service to his clients if he could acquire some of the instincts of the successful credit man, and keep constantly before him, when making investigations involving proposed credits, many of the requirements which the science of credits has found to be essential.

Likewise, who will deny that the credit man could perform his work more easily and scientifically if he were conversant with the prin-

ciples, and could take advantage of the experience underlying the practice of professional auditing?

President Salisbury—The next order of business is the report of the Fire Insurance Committee. In the absence of a representative on that committee Secretary Tregoe will read the report.

The report of the Fire Insurance Committee was then read by the secretary.

Report of the Fire Insurance Committee

To the Officers and Members of the National Association of Credit Men.

Every member of this Association must recognize how much more alive than a few years ago are the American people to the burden they have been imposing upon themselves through extravagant fire waste. Until recently we were, as a people, utterly apathetic and calloused to heavy fire losses. What we now look upon as a large self-imposed insurance tax of approximately \$450,000,000 per year had been simply a matter of course, that over which, at least so far as prevention was concerned, we had no control. Care in handling fire was characteristic of an individual here and there, but it had no appeal to the general public and very little to municipal and state authorities.

Those who had any visions as to what the end under such circumstances might be realized that the fundamental thing was to change the attitude of the people toward fire waste, making them appreciate, first, that property burned is utterly destroyed even though so far as the immediate owner is concerned it may be replaced through insurance funds, and second, that men have it in their power to control to a degree almost incredible the number and extent of fires.

In the work of bringing about this change of attitude our Association has been a factor of much importance, for it came into the field with great prestige and widely extended influence. The handful who were battling for better conditions were heartened by the Association's help and welcomed our co-operation. A review of the work which the Association has done in this direction in the last half-dozen years could be quickly told, but it makes a record of splendid service to commerce and the whole people.

The BULLETIN has endeavored throughout the year to keep the minds of members astir to their duty in this department, for the most part through short notes built, so far as possible, on reports reaching the National office regarding activities of fire insurance committees of local associations. For instance, we find the fire insurance committee of the Chicago association working with other commercial bodies of that city for the installation of a high-pressure water system; a leading member of the Columbus association appointed on a committee of three Columbus citizens to make preliminary arrangements for an organization to prevent unnecessary fires in their city; E. M. Underwood, of Portland, Oregon, a member of the Fire Insurance Committee of the National Association and one of the most constant and intelligent workers in this department, awakening his city to the necessity of keeping vacant lots, alleys, and back yards clean, establishing neighborhood fire prevention clubs, keeping in close touch with the local Underwriters' Inspection Bureau to see that public, and especially school buildings were made safe, and again arranging for leaflets for the children of the schools of the state with a view to instructing them in methods of preventing fire; in Tennessee, President Hill of the Nashville associa-

tion addressing the convention of the local fire insurance agents on the duty of all to educate the people to the point where they will understand the criminality of carelessness with fire; in Pittsburgh, the Credit Men's Association working for a measure to give the city fire department inspection privileges and duties and the right to enforce under reasonable restrictions the mandates of the department; in Philadelphia, the association giving its hearty endorsement to the most thorough-going inspection and clean-up ever attempted in any large city; and probably in no part of the country was there a greater awakening than in eastern New England, the proclamation of the Massachusetts governor calling upon all citizens to observe appropriately November 9th, the anniversary of the great Boston fire, as Fire Prevention Day, being recognized by the Boston Credit Men's Association as a call to action, the association issuing a powerful appeal to all business interests to sustain Governor Foss in his purposes; in New York we find the association active in defeating a movement to repeal a recently adopted safety match ordinance, and in St. Louis, the St. Louis Engineers Club, the St. Louis Architectural Club, the St. Louis Chapter of the American Institute of Architects, and the Credit Men's Association joining in a great fire prevention meeting at which one of the principal speakers was a leader in the credit circles of eastern Missouri, James E. Black, of Wertheimer-Swarts Shoe Company.

Your committee is glad to call attention to the progress which has been made in the last two years in having at least one day annually named by the governors of our states as Fire Prevention Day. Two years ago not more than three or four states gave heed to the suggestion to set aside a clean-up day and one on which the children in particular should be given, in the simplest and most interesting manner, information regarding common causes of fire. But last year in over thirty states, including several on the Atlantic seaboard where Fire Prevention Day had never taken hold, the day was observed with great seriousness. The American people ought not to need the lessons Fire Prevention Day is intended to teach, but unfortunately they do, and your committee urges that the Association lend its influence and energies to the extension of Fire Prevention Day until it shall be observed in every state and given a genuine significance for every citizen.

That which appealed to the committee as its best line of effort during the year is expressed in the word INSPECTION. The committee felt, after careful consideration, that intelligent, persistent inspection, if it could be made general instead of the exception, would do more than anything else to prevent fire, just as inspection or watchfulness does more than anything else to protect against failures. Those of the committee who are acquainted with the mutual factory insurance companies as in New England have been made to realize what insistence upon inspection has meant to those scientifically conducted institutions, and so the committee has laid stress upon inspection, first, municipal inspection and prevention, and second, inspection of individual plants by the owners.

Not much can be accomplished in one year. It takes time for such thought to get rooted, but a start has been made by the drafting of a proposed inspection blank which, after due criticism, it is hoped may be issued by the Association and distributed among the members and by them among their customers. If we can get individual inspection and also municipal inspection in the form of a third arm of our fire alarm and fire extinguishment service, to be known as "fire prevention

bureau," we are going to have in the course of a few years the fire tax on commerce reduced from \$450,000,000 to \$300,000,000, and besides, less need of the rapid multiplication of expensive municipal fire extinguishment apparatus. We urge, therefore, that the incoming committee keep before it the purpose of developing as rapidly as possible in our municipalities and plants, systems of inspection. The thought of a prevention bureau related to the fire department, yet not using the men in the extinguishment department, has taken hold wonderfully in the last two years and in no city will a local association have the difficulty it would have had a few years ago to interest the people and authorities in such bureau.

One member suggested to the committee that tenants or owners of factories, warehouses and wholesale and retail stores be obliged by ordinance to make quarterly inspections of their premises, sending copies of reports to the chief of the city fire department and that penalty be imposed for false reporting. Probably such ordinance would come under the power of the police dealing with the benefit of the public, and if it were general in character and did not discriminate as to plants inspected, there is no reason to presume that it would not be sustained by the court.

In the legislative field there is little for your committee to report, except that laws were put on the statute books during the last legislative season giving Indiana and Georgia fire marshal departments. Thirty states now have fire marshals, who deal specifically with the classification of causes of fire, inspection, and education against fire waste. The work of these marshals is in many cases well seconded and sustained by state fire protection associations.

Further, in the matter of legislation, the work of the credit men of Tennessee is worthy of attention, for they undertook to protect against the passage of several measures touching fire insurance which, if enacted into law, would have harmed rather than benefited business.

Again, in this connection, it is proper to note the legislative situation in Missouri. The action of the legislature of that state during the session's closing hours did more to show the relationship between credit and fire insurance than a hundred addresses on that much mooted subject have done. Legislation not only inimical to fire insurance interests but entirely out of harmony with well understood fire insurance principles brought a general suspension of business in the state on the part of nearly two hundred companies. As a result, the business of real estate loans and construction requiring large insurance coverage was brought to a halt and trade met many and serious embarrassments. The lesson is one of importance to commercial interests. It means that business men must take an intelligent and active part in the selection of members of our law-making bodies if legitimate business is to be protected against cure-all legislators.

Such confusion as there is in Missouri as this report is written is to no little extent due to the supineness of our business men, who, just as if it were of no consequence to them, permit ranters and incompetents with imagined grievances to deal out through the press and from the platform false pretences without attempting to counteract their teachings with sound doctrine, and then are surprised that after years of false teaching our legislators, eager to pander to the people, enact laws regulating business to the extent of suppression and running counter to laws as immutable as that of gravitation. We believe it is generally recognized that among the members of this Association a

saner view of the business of insurance prevails than among the general run of business men and that we are doing much as an Association to bring about those conditions which will finally mean lower rates. The affiliated branches at St. Joseph, St. Louis, and Kansas City have been alert to the question of reducing premium rates and have gone about this work, first asking the question, "To what extent are we ourselves responsible for the high insurance tax being levied upon us?" This is a question we want every fire insurance committee of every local association to ask itself during the coming year and try to find the answer for its community, for it is the primary question in our subject.

The committee suggests that next year the Association make a special study of the law as just passed in Ohio making certain requirements regarding the erection of buildings in all parts of the state. If it is found feasible to secure proper state building laws, it may well be simpler to enforce safe construction through appeal to the state authorities than through appeal to city authorities.

Finally, our members can do much by example, particularly in installing in their plants those devices which have proved effective in putting out incipient fires. The records show a large number of fires extinguished by simple interior devices, and the Fire Insurance Committee of the National Association should continue to urge upon its individual members attention particularly to the question of arresting incipient blazes.

In conclusion, the following resolutions are offered for your consideration:

I

"Resolved, That the National Association of Credit Men, in convention, urges on its local organizations to appoint fire insurance committees whose duty it shall be to study conditions in their respective communities and to educate members and business men generally in the principles of insurance, and to study methods of reducing the excessive fire loss of our cities.

II

"Resolved, That we express our appreciation of the earnest and intelligent effort put forth by many of our local fire insurance committees during the past year, all of which gives great encouragement that we are to reach, within reasonable time, a fair solution of our heavy loss problems.

III

"Resolved, That the Association recognizes that the setting aside of at least one day a year in every state as Fire Prevention Day is highly important and urges on its members to help bring about proper observance of the day.

IV

"Resolved, That the approval of the convention be given to the committee in the emphasis it has laid upon inspection and that it urge upon the incoming committee to develop the Association's proposed inspection blank and take every opportunity to extend among our municipalities inspection and prevention departments as a third arm of fire department service.

V

"Resolved, That the close relationship between the credit system of doing business and insurance makes it vitally necessary that business men use their active influence against highly restrictive insurance legis-

lation and work persistently for a sane treatment of fire insurance interests at our state capitols."

Respectfully submitted,

L. W. BROWN,
D. L. SAWYER,
GEORGE W. HAYES,
W. R. KING,
E. M. UNDERWOOD,
A. H. BULLARD, *Chairman.*

Secretary Tregoe—On behalf of the committee I move that the report and resolutions be adopted.

Motion seconded by A. N. Ritz, of Milwaukee.

President Salisbury—The report of the committee and the resolutions are before you. The open parliament on this subject will be led by H. T. Hill, of Nashville, Tenn.

Mr. Hill—I believe that every credit man who has given the subject of fire insurance any thought realizes that the enormous fire waste of this country is slowly but surely undermining the foundations on which rest our entire commercial structure, and if it is not checked its progress will be felt before the general public realizes its significance. This may be a startling statement, but if you will look at statistics you will find that the fire insurance waste is greater than the combined losses through banking and commercial failures; and you will also find that the fire waste in the United States is ten times that of continental Europe. The best and most efficient method of checking the great fire waste is the method recommended by your committee on fire insurance, and that is by inspection. You cannot always get the city authorities to have the proper inspection but you can inspect your own premises. What each member of this Association should do is to have individual inspection, and when the fire insurance committee gets up the proper form, each member of this organization ought to have those inspections made according to that form regularly. Just think what a power that would be, for the seventeen thousand members of this Association would have inspection of their plants four times a year, about seventy thousand inspections a year by the members of the Credit Men's Association of the United States.

The people should be educated to understand that the responsibility for the enormous fire waste rests upon them, that it is criminal for a man to burn his own property and the property of his neighbors by carelessness by fire. In France you cannot destroy the property of another through carelessness by fire without being made to reimburse that person by law. Why should there be a legal responsibility abroad and not even a moral responsibility at home? It has been charged by the business men and public that insurance rates are too high, and that charge is well founded; but these same people do not seem to realize that it rests with them to lower the rates. Some of our state legislatures have attempted to lower the cost of insurance without preventing fires, but when you attempt to lower the price of the insurance without lessening the fire loss, you are going to force all the honest insurance companies to withdraw from the state. The insurance companies have started with this proposition at the end instead of at the beginning. Laws should be passed that will not work a hardship on the public but will lower

the enormous waste caused by fire and then demand should be made of the insurance companies to lower their price of insurance. We all seem to realize that the cause of the enormous fire waste is the indifference of the individual, and in order to get at the very foundation of the problem of the enormous fire waste, why not educate the child to the true significance of our enormous fire waste. I would respectfully suggest that the National Association follow the lead of the Portland association, but go a step further, and have a text-book prepared on fire prevention and the true significance of fire waste and send it to each local association, and have each association go before the school boards and impress upon them that they have a responsibility for a portion of the fire waste; have these text-books adopted as a regular course in the public schools of our different cities. I thank you, gentlemen. (Applause.)

President Salisbury—Mr. Hill will be followed by S. G. Rosson, of Baltimore.

Mr. Rosson—Insurance, it seems to me, is in course of development as much as any line of business in this country. The idea of creating an average risk or an average opportunity of protection to every line of commodity and every line of endeavor is practically covered under the different systems and methods of insurance. I think, in consideration of the premiums which we pay for our risks, insurance is an element that no one man can afford to overlook in business; and its growth is evidence of the fact that men feel this way about it.

There is only one thing that is not yet thoroughly developed in my mind in the idea of insurance. We are insured against fire while we live; but I am particularly interested in the policy, if any there be, which will insure us against fire when we die. (Laughter.)

But seriously, I want to call attention to some remarks that have just been made by parties who have made a study of insurance, and I do so for the reason that I think the insurance companies themselves are somewhat to blame for a lack of proper understanding and appreciation of the protection of insurance. I just call attention to a clipping that I noticed that has reference to the methods in this country provocative of carelessness and criminality, and the article inquires, are they less safe and sound than those of foreign countries? These questions are raised almost simultaneously in two directions, in a series of articles by Arthur E. MacFarland, in *Collier's Weekly*, and in the document on "Incendiaryism in New York City," published not long ago by the Fire Insurance Commissioner of New York, Joseph Johnson. The criticism in both cases is the same. Commissioner Johnson says very plainly: "The indiscriminate granting of policies by insurance companies without proper investigation of the character of the applicant and the nature of the risk, is the main cause of the crime of arson." He puts the loss arising from our bad system at one-quarter of the whole, and points out that New York's fire loss is nearly five times as great as that of any foreign city; and he finds the ultimate cause of difference in the rigid inspection in foreign countries before the policy is written. Both writers point out that the total insurance losses not only increase when business is bad, following certain seasons regularly, but that the losses also follow the fashions. So that there seems evidently a question of credit in the consideration of the issuance of the fire insurance policy.

To my mind the fire insurance policy risk should be taken and considered on the same basis as the credit man extends credit. He should know the condition of the applicant financially as well as

morally. Circumstances lead to things one does not originally contemplate; and it would seem to me that the closest scrutiny regarding an applicant is just as important and valuable to an insurance company as to a credit man. Its risk is one of money and just as exacting and just as necessary.

The idea of the insurance companies seems, generally speaking, to be to increase the rate with the hazard. They charge what it costs to carry the insurance rather than to endeavor to reduce the hazard and likewise the rate. It is true the individual is to blame for the



E. M. UNDERWOOD
Failing-McCalman Co., Portland, Ore.
Director

condition requiring high rates of insurance, but not wholly so. Many of us follow along the lines of least resistance, and if we have the opportunity to commit fraud and feel that the safe-guards are lax and we can safely commit fraud, we are more likely to do so.

Every fire is caused by one who either does or does not intend it. The result is the same. If the party at heart is not good in his intentions, that should be determined when the risk is taken, just as you determine your credit at that time.

We credit men extend our credits in many instances largely upon the basis of the fact that the merchant is insured. Now, when that insurance is of no value, we have extended our credit on a false basis, and it seems to me it is up to the insurance companies that they be forced to satisfy themselves as to their risk, then take it, and that the loss be paid.

But I want to call attention now to one more item. In Baltimore this spring in our Y. M. C. A. lecture course we were addressed by William J. Donnelly, a member of a very large insurance concern. The address was a very able one and it covered the situation from nearly every business standpoint; and I feel that that address should be communicated to the credit men possibly through the BULLETIN, not now, but at the convenience of the Association and the secretary. But it is a subject of much interest to us all, and being discussed from the standpoint of the insurance man I believe that we should all like to know how they look at it, and I would suggest that if it meet with your approval, the request be made that that address be published in the BULLETIN at as early a date as is convenient. (Applause.)

M. J. Kohn, Baltimore—I move that this address be published in the BULLETIN, a copy of the address being in the hands of the National office at this time. Motion seconded.

President Salisbury—The question before us is of course the report of the committee, but this motion might properly come after we have disposed of the report of the committee and the resolutions, as it is not offered as a resolution; and at the same time the motion should not be made so strong as to put upon the BULLETIN an unnecessary expense, although the paper referred to is a very valuable paper, undoubtedly. If it is the desire of the convention to consider the motion I will put it now.

A. N. Ritz, Milwaukee—I move the previous question.

President Salisbury—The previous question is moved, and as the chair believes that this motion is out of order at this time, I feel sure that you will pardon me if I simply proceed with the report of the committee.

The report and resolutions of the committee were then unanimously adopted as presented above.

President Salisbury—We shall now consider the motion as presented by Baltimore.

Mr. Kohn—You made the remark that in your opinion you ought not to put any additional expense on the organization. My idea of the BULLETIN is that its purpose is to impart information that is valuable to the entire community or to our organization. This paper of Mr. Donnelly, which I listened to, I think is of sufficient importance for our members, all of them, to read, and my experience has been that the BULLETIN is very glad to receive articles of that kind. It is not with the idea of imposing expense but it is a very important paper, particularly coming under this head.

Mr. Ritz—It seems to me the report covers the matter fully and it is useless to publish too much on this subject. I think if the report of this committee is published it will give plenty of information and warning and that is all that is necessary at this time.

T. J. Bartlette, New Orleans—I move that the subject matter of this motion be referred to the incoming committee, which can then decide as to the propriety and feasibility of publishing the address

in full in the BULLETIN. That would relieve Secretary Tregoe from the necessity of passing upon it, and at the same time it is a matter that this convention, I think, would hardly be able to pass upon, as to the advisability and feasibility of publishing an address which it had not heard. Let it go into the hands of the incoming committee on the subject.

President Salisbury—The motion is to refer the matter to the incoming committee. Seconded by H. W. Hardy, of Chicago, and unanimously carried.

Charles Reynolds, New Orleans—Mr. Hill seems to have anticipated what I had intended to offer. In the past our work on fire insurance has largely been that of educating the matured mind, and I quite agree that the time has arrived when we should seek to educate the growing boys and girls. It is quite apparent that during the many years that the boys would be drilled by the teachers, the subject would be brought to a point where they would understand the effects of and avoid carelessness and indifference and neglect that occur now in handling matches and fire. They would readily understand that they must be careful. To that end I offer the following resolutions:

Resolved, That the incoming Fire Insurance Committee prepare addresses to the various school superintendents throughout the United States, or if it seems wiser, send to the different boards of education a general letter presenting information and recommendations regarding the lessening of fire losses in this country, and be it

Resolved, That the said superintendents or boards of education be requested to have said addresses or general letters read or lectured upon by the teachers on each fire day."

Seconded by Mr. Bartlette, of New Orleans.

A. N. Ritz, Milwaukee—I would like to make an amendment to that resolution. I understand this resolution makes it obligatory upon the incoming committee to adopt it. I would like to amend it by adding the words "at its discretion."

Amendment accepted by the maker of the motion and by the seconder.

Unanimously carried.

Charles E. Meek, New York—I wish to introduce a phase of fire protection or prevention. It is not an Association affair so much as an individual matter—not a matter so much of pocket as it is of heart.

At this time of the year it is customary in many families to go to the country for a vacation, to go to the seashore or go to the mountains. The head of the family writes a letter, as a rule, securing the rate of board, transportation facilities, and perhaps some other details of similar character; but I am convinced that in the majority of cases he asks absolutely no question as to whether the hotel management takes any precaution at all towards the protection of its guests from fire. Men will buy stocks and bonds, hire a safety deposit vault, will buy a burglar and fireproof safe in which to stow away such material assets; but at the same time will send their families into hotels that are mere tinder boxes. Each year fires occur in the country hotels with a large loss of property, and in very many cases a considerable loss of life; and I want the members of this Association to take a little thought home with them, and when they have occasion to consider the question of a country or a seashore or a mountain hotel, to look into it and to see that something

is done to protect their families while they are under the roofs of summer hotels. In *Modern Engineering*, a magazine published in New York, there is a comprehensive article on the entire subject in the June issue, furnishing figures and complete statements; and there is no better investment, in my judgment, for the members of this Association as individuals to make, if they intend to plan their vacations in the country, than to buy that article and read it, for from it you will get a great deal more information on that subject than it is possible to give here. (Great applause.)

C. B. Cranston, Columbus—I offered this morning, a little out of order, a resolution which I now desire to put before this body.

"Resolved, That while fire insurance and fire protection are properly matters to be considered in the abstract they are so vitally a part of credit department work and methods that each association and member be urged to keep them before the debtor at all times."

Seconded.

P. P. Hanley, New Orleans—I move that the resolution be referred to the incoming Fire Insurance Committee.

Seconded and unanimously carried.

So referred.

W. B. Fish, Cleveland—I take the liberty to suggest for the incoming committee on fire insurance, that the subject of sprinkler equipment commercially for buildings be considered, and if possible, agitation be started in the direction of incorporating in the ordinances of states, requirements in addition to those now existing in the building code that will make it obligatory upon builders and owners of structures devoted to business enterprises that they be equipped with sprinkler systems; and I say further that the insurance companies themselves will heartily favor and welcome a move in this direction. The companies encourage the installation of fire-preventing appliances and place premiums upon them in the way of reduced rates, which can be secured by sprinkler appliances. Furthermore, the premiums we pay and protection afforded us by high insurance rates only cover really the actual physical loss. They do not cover the loss of business that ensues when a disastrous conflagration occurs; whereas, sprinkler systems are preventing the conflagrations from spreading beyond control, and are holding fire in check, so that it cannot wipe out an entire business at one fell swoop. Therefore, I urge this subject upon the attention of the committee.

President Salisbury—Mr. Fish's suggestion will be made a part of this report.

We will now listen to an address by Denis S. Cash, of the Department of Public Safety, Cincinnati.

Fire Prevention from a Municipal Point of View

ADDRESS BY DENIS F. CASH, CINCINNATI, OHIO.

I hardly know what business a man of my name has in the credit association. (Laughter.)

(President Salisbury—Your presence is always welcome.)

But anyhow I am here and as head of one of the departments of the city, of course, I am glad to see you here, and I hope you are enjoying the hospitality of the city of Cincinnati. I am sorry that we have had such intensely hot weather, but I want to say to you that while we have

had hot weather we have had that and something more, and I came this afternoon from a conference of the ice men. (Laughter.)

Now, to come back to the subject. I began to wonder how the subject of fire protection from any standpoint was of interest to men in your various lines of business, in other words, to the credit men. But I have been here long enough to get an idea just exactly how that interest comes about. The fact of the matter is that I can hardly see how it is possible for men to get credit, although they sometimes do, who are not able to get insurance, and some do get insurance who cannot get credit. It is unfortunate whether one way or the other.

But the city is interested in the problem, of course, from a standpoint different from that of the business man. While the possibility of getting insurance upon property may be one of the elements that determines whether a man should have credit or not, that is not particularly of interest to the municipality as a municipality. We are interested in it from another point of view. Of course, it is of interest to the community not only to protect the lives and the health of the citizens, but as well their property. We are interested in it and that interest is manifested by the large expenditure of money that municipalities are continually incurring for the support and maintenance of fire departments.

In the city of Cincinnati, as an illustration, we pay probably \$400,000 a year for the maintenance and up-keep of the fire department. We do that, of course, not because, as I say, there is any matter of credit involved, or because it is a matter of business, but because the municipality has at heart the welfare of its citizens as well as their lives and the preservation of their property.

Some time ago I had occasion to express my views rather fully upon this subject and I have tried, so far as my humble capacity permitted, to work out some things which I have indicated were at least in my judgment possible.

In the city of Cincinnati we are to-day, as far as our finances permit and as far as experience and safe conduct of the business permits, putting in motor apparatus. We are doing that, not because we are particularly interested in insurance companies. Sometimes people think because you are interested in reducing the fire losses of a community you are nothing more than an adjunct of the insurance companies. What is the use of reducing those losses? If a man has a loss the insurance company has to pay it and who else is interested? That is the way some people have of looking at it. That is not the way in which we are in the habit of looking at it, and for quite a number of reasons. We realize, just as one of the gentlemen who preceded me put it very well, in a motion, that some serious losses resulting from a fire are not covered by insurance at all—the loss to a business man's business, the loss of his trade, the drifting of his business elsewhere while he is trying to rehabilitate himself. All of those are matters that are not considered in the matter of compensation of fire insurance, unless the insured has over-insurance, and hopes to get what he is not entitled to have. If he is fairly insured, if his policies cover fairly the property loss he sustains, that is all he can legitimately claim. The rest is real loss and is frequently more substantial than the other and that he loses absolutely.

Therefore we are not simply an adjunct of fire insurance companies. If we were, if that logic were perfectly sound, that whatever we do to reduce the fire losses in the community is nothing more than helping out the insurance companies, why, the logical conclusion would require us to dispense with the fire departments altogether. Why spend the money for

that if the insurance companies compensate the loser in the end? Why spend \$400,000 in a city like this for purposes of that kind, if it is nothing more than helping out the insurance companies?

Now, we are not interested as a municipality in that point of view at all. We realize as a community that whatever a man pays for insurance and the credit man knows without question it must go into the price of the goods sold; it must be figured into the cost of the business; and the result is that it comes out of the consumer in the end. The community must pay it just as regularly and just as absolutely as it pays any other species of tax. Insurance companies are not in business for their health. They are not distributing any more than they collect. If they were they would be soon out of business. And they will certainly collect enough to make their distribution on losses plus the cost of doing business, whatever that may be.

The insurance companies are not philanthropic organizations, as far as I know them—there may be some—they are not in the business for their health; they are in the business to make money; and they will always collect if they are doing business upon a safe and sound basis, enough to pay their losses plus the legitimate expenses, as I have indicated.

It is, therefore, of very great importance to the credit of a city, to its business community and to the people at large, that the fire losses from a business standpoint be reduced as far as possible, to the end that the consumer of goods may get them at the lowest price that he can; and the benefit results to the community at large; and the tax (because it is really a tax) must be as light as is consistent with the circumstances. All of those things the community is interested in.

Now, of course, we are interested from another point of view. It is not merely the destruction of property we are interested in. A man might lose his house or his business might be destroyed, and it might be that he would suffer no particular loss by reason of being put out of business or by reason of any of the other things that I have spoken of; but that the insurance company would fully compensate him for the actual loss that he had suffered, so that there is no property loss; and yet we know that with every fire, whether large or small, particularly in the business districts of a great city, there is always that attendant danger of loss of life, of maiming of limb, and of other things which fall or result from it.

Now, of course, the city is interested in that problem. The city is interested in the preservation of the lives and the health of the people of the community, and therefore we do not want fires. We try to do everything that we can to prevent them, and we are justified in so doing.

Our fire departments are not solely for the purpose of extinguishing fires, because some of the most important work that they are called upon to perform, is the preservation of human life.

Now, to show you how we have regarded that feature of it in Cincinnati, speaking particularly of our own situation here: we have tried to get the firemen, the men who are in the business of extinguishing fires, to see that that was not their only business, but to realize that they are interested in the prevention of fires.

Now, there are two ways of looking at that. Sometimes the firemen argue that it is not their business to bother about how this man conducts his business, what explosives he has in his place, or what rubbish, or how he keeps his place. It is our business to go there if there is a fire and put it out. But we say in reply, no, that is not your only

business; and because we have insisted on this first, in this city, we have splendid co-operation on the part of the men in that idea.

Up to the present time, since last July, just about a year ago, the firemen themselves in this city have made fifty thousand inspections of buildings, upon which they have accurate reports. (Applause.) The reports are made out upon blanks which call the attention of the man who goes through the place to practically everything that is of importance in the line of fire prevention—the condition of halls, the condition of stairways, the location of elevators, the placing of explosives or oils or materials of that kind—but everything is indicated upon these blanks, and he is required to answer by checking upon those blanks before they are turned into the captain of the house, showing the condition existing in the particular building.

Rubbish in this town, as probably in every other, causes more fires than anything that I know of; and therefore if we did nothing else than to remove rubbish we would eliminate a very large percentage of the fires of the city.

That is not a very difficult thing to do, as far as inspection goes, but requires constant vigilance; it requires constant supervision, because people sometimes for one reason or another are careless about it. They do not like others to come in and call attention to it, but once attention is called to it there is very little difficulty about having the condition removed. From familiarity with conditions men pay no attention to them until somebody with methods points them out.

Now, if we had not undertaken this work—the disposition of rubbish in this city—and I suppose conditions would be the same in any other city where the use of coal has given way to the use of gas—would be a very serious problem, because it is difficult to know what to do with the rubbish. The furnaces instead of burning coal are equipped for gas; and some of the houses have no means at all of burning coal or wood. Consequently the rubbish has to be hauled away to be burned, and it goes down upon the dumps; or if we are not particular about it, it lies around the premises until something happens.

Now, I say our condition here, owing to the changed situation in the fuel problem, has become quite aggravating, and if we did not have our inspections I do not know what trouble we would have from constant fire department calls.

The inspections to the number I have indicated show beyond question that we are upon the right track. Heretofore it has been the same all over the country. If there were some mishap in the fire department, or a fire got away from the department, or some little territory was added, or some addition made, or some new pressure applied by a particular community, the only solution of the problem was the increase of the fire department, so that the fire department went up, up all the time in the number of men, in the amount of apparatus and in the cost of maintenance. Nobody seems to have paid very much attention to the other end of the problem; yet if one stops to study the thing only superficially, it could be ascertained by figures of undoubted reliability, that while the figures of maintenance and cost of the fire departments have gone up and up, the fire losses in the cities have gone up in the same proportion or in still greater proportion.

If that indicates anything at all to a reasonable mind, it means that the mere increase of the fire department is not the solution of the problem. You have got to seek for a solution somewhere else, and that

is the thing that struck me about it; you have got to seek for it somewhere else, because the figures do not prove what you seek to prove.

There was a time in all of these things when people were satisfied just with treating conditions as they found them. The old-style doctor diagnosed his patient's condition, found out what the matter with him was if he could and treated the disease. He attended his patient just so long as he thought his services were necessary, and when the cure was effected, if it were, the doctor went his way and thought no more of the matter—not a thought was given regarding the origin of the disease, what caused it or what induced that particular person to have that particular disease. The physician's work was done when the case was over. But nowadays there is a different policy pursued. It is the same in everything. We are not satisfied with conditions as they are; we want to know *why* they are; we want to know *how* they are; and we want to know whether there is a way of preventing them. This is not only true in medicine, it is true in every scientific pursuit, and it is true of this fire business, too.

There is a way of preventing fire very largely—not entirely, of course, because human frailty and error and misjudgment and mistake has got to be taken account of in the problem—but there is a way of preventing very largely the errors which occur in any municipality.

If a man attends to his own property and looks after it, and knows there is no insurance on it—suppose conditions arise such that he cannot get any insurance; suppose he happens to be in a flood district where the insurance companies cancel all their policies, and he sits on the job himself and watches: is there going to be a fire? Not at all, because of that vigilance, that care which he himself advocates. Now, of course, it may be unfortunate with the insurance business that when a man feels that he is fully insured, it withdraws to some extent that anxiety and that absolute care which otherwise he would give to his own property. Of course, in that problem there may be, as I say, accidents, unforeseen things may arise, and he still may suffer from a conflagration. But by removing the causes, by removing the rubbish, by keeping out of his premises inflammable stuffs, oils of different kinds, varnishes, explosives, the danger and the risk of fire loss can be reduced to a minimum. Insurance companies recognize this by the treatment of different risks at different rates.

It might be interesting, of course, but I do not think it would be novel for a gathering like this if we were to compare our conditions upon this particular subject with the conditions obtaining in other countries or in other states, particularly with the situation across the water where their expenses for maintaining fire departments are so much less than ours, and where their fire losses are so much less than ours, and where their cities are so much larger than ours. We have got to find some explanation for it. It is not mere accident. It does not just happen that way, because human nature is human nature wherever you find it, and it is pretty much the same the world over. But you take the existing conditions in European cities upon this subject and compare them with ours, and it would indicate to any fair or thoughtful mind that there really must be something wrong with our way of handling the subject. The differences are so great, the fire losses are so out of proportion, the fire departments and the fire department expenses are almost a minimum compared with ours, and yet those are the conditions.

And what is it due to? What is the cause? Is it because our fire departments are not as good as they are in the old world? I do not

think anybody would say that. I think in this country we have the best fire departments in the world, barring none. We have the most up-to-date apparatus that can be found.

Then what is it? The reason must be sought for in some other direction; it may be due to the question of building laws, the way buildings are constructed. Unfortunately in our American cities we have been too unscrupulous in the way in which our buildings have been constructed. There is, at the present time, I am happy to say, a sentiment going over the country for better buildings and more stringent enforcement of building laws than there ever has been before. The lax enforcement of building laws may be one of the causes—the way buildings are constructed, the difference between the construction in the old world and the new—and it may be due, also possibly, to some other things.

Now, it may be of some interest to you, and I am not going to take very much of your time, because I have got to go back to finish this ice business, or have some of us finished with it before we get through with it. In the city of Cincinnati today we have come to realize that this fire proposition is one that ought to be handled and which can be handled scientifically, logically and on some definite plan. We realize, as I believe every man does, that most of our fires have small beginnings. A great conflagration starts with probably a match, or the upsetting of a lamp, or some other practically insignificant cause. If in addition to using your efforts to prevent fire, you supplement it with apparatus that can catch the fire in the beginning, you have reached possibly the best solution of the fire problem. With a good deal of cumbersome apparatus that we have in the large cities, slow motion, horse-drawn apparatus, five or ten or may be twenty minutes elapses before the apparatus reaches the place where the alarm was sounded. By that time the fire may have reached huge proportions; it has become almost a conflagration; then it requires a big department to put it out.

It has been thought that part of the problem could be solved by getting an apparatus that was quick in motion, that was effective, and could be placed upon the ground almost the instant the fire occurs. Some of you who do not live in Cincinnati might like to see the apparatus that we have for that purpose. We think we are abreast of the times; we think we have the best in the country up to the present time, barring none.

The Hilltop district, embracing Linwood on the east, which is the extreme eastern part of the city, to Westwood on the west,—covering the entire group of hill tops—within a week or two will be manned almost entirely with automobile apparatus; that is, an automobile wagon carrying a thousand feet or more of $2\frac{1}{2}$ inch standard hose, together with two hundred and fifty feet of small hose with a tank of forty gallons, which when exhausted is supplied from the plug, by means of a small pump that is placed on the front of the automobile, and which is operated by merely shifting the gears when the automobile is stopped at the location. By this apparatus two or three one-inch streams can be put, for instance, nine stories, in any part of the city. The small pump that I have described is used simply as a booster to supplement the plug pressure and carry it up wherever we want it.

Now, those machines are being made here. There are four of them in service now, and probably you have seen some of them around the streets.

Mr. Ritz—Do I understand you can throw a stream from the hill top to the top of any of the buildings in the city?

Mr. Cash—No, I am just giving you an idea of the power of the apparatus. That apparatus is intended not for a conflagration, but to catch the fire in its incipiency. In nine cases out of ten that occur here, and no doubt elsewhere, if a small line of hose could be gotten on the ground and operated within two or three minutes after the alarm was sounded, the fire could be put out, and what would otherwise become or might become a very dangerous fire is prevented. The fact of the matter is that the large standard engines in nine cases out of ten use nothing but the small line when they get there; and of course that is a slower apparatus than the one I am speaking of.

We figure that by the rapid operation of those machines we can get on the ground quickly, and it is a better proposition than the old chemical proposition, because when the chemical tank was exhausted that was the end of it; but where the tank is exhausted, then it is supplemented by this pump, which pumps directly from the plug on the street into the same line a continuous stream.

In addition to that we are about to place in two central parts of the city what we call a flying squadron, a company of eight or nine light men, young men, who can man this automobile apparatus, each having one of these wagons, one located in the eastern part of the city and one in the west, to go to every fire in the basin of the city, to be there with that apparatus, as they will be in nine cases out of ten, before any other company, no matter how close it is, arrives; and the purpose is to have this flying squadron, if possible, extinguish the fire by the small stream; but if that is not possible, to be there to assist the other men when they come with larger pumping apparatus.

Now, all this is done for the purpose of reducing the fire losses in Cincinnati. That is the main purpose in doing it. We feel reasonably safe in saying that when these machines are in operation, we can very materially reduce the fire losses here.

I have told you what we are trying to do from a municipal standpoint. This is the problem as it strikes us from a municipal point of view. We might go ahead and increase the fire department, make more jobs for men, more places to be filled, more people to have positions; but the fire department of a municipality is nothing more than one big business organization; it is a business proposition; and like the credit of a business the fire department has got to be watched and guarded and efficiency has got to be worked out just the same as it has got to be worked out in any business, and you cannot work it out by simply adding to the number of men. You have got to be first sure they have got absolute efficiency in what you have, before you add anything; and when you are sure you have got the efficiency in your service, then it is all right to make an addition to it if you find it necessary; but we do not find it necessary. We are working out the problem with practically the same number of men, by a different disposition of apparatus, by a different kind of apparatus; and we believe we will accomplish the result very much more satisfactorily than we otherwise could. (Great applause.)

President Salisbury—The next order of business is the report of the Investigation and Prosecution Committee, Mr. W. M. Pattison, Cleveland.

Report of the Investigation and Prosecution Committee

To the Officers and Members of the National Association of Credit Men.

Your Investigation and Prosecution Committee wishes to report that pursuant to the resolutions adopted at the Boston convention authorizing the opening of pages of the BULLETIN to advertising, the proceeds therefrom to be set aside as a special fund for the investigation and prosecution of fraudulent failures, advertisements appeared for the first time in the February, 1913, BULLETIN. There were many points to consider before the plan of advertising could be definitely and permanently entered upon even after the recommendations of the committee had been passed upon at the fall meeting of the Board of Directors. Among the questions to be considered were advertising rates, the nature of the advertising which should be admitted, and the methods of going about the task of obtaining advertising contracts.

The committee feels that a good beginning has been made and that the space given to advertising matter in no way detracts from the appearance of the BULLETIN. In fact the committee has frequently heard it said that the BULLETIN is a more attractive and business-like looking production than it was when advertising was refused.

Your committee believes after its limited experience, that the value of the BULLETIN as an advertising medium will become steadily better recognized for it reaches a class of readers who are discriminating buyers both for themselves and for their concerns, men of authority as to the equipment of their offices and plants and men whose interest in the work to which the proceeds of advertising is to be devoted would lead them to take special interest in the BULLETIN advertisements. We believe, therefore, that the sale of space in the BULLETIN will after a period provide a permanent income for the prosecution work of our Association.

The incoming committee will have to give thought to the proper method of bringing the BULLETIN to the attention of advertisers who might use it to advantage. So far as possible, the question should be considered strictly from a business standpoint and not from that of sentiment or loyalty to the Association and it may well be that, in order to put the matter on a strict business basis, it will be found advisable to make arrangements with some advertising agency to handle this department, contracts, of course, to be made subject to the approval of the National office.

Your committee believes that it is through advertising that the fairest and most equitable method is found of providing a national investigation and prosecution fund, for the proceeds of advertising come to the Association indirectly and in such manner that every member of the National Association may justly feel that through his subscription to the BULLETIN and his connection with the Association, he is entitled to the protection that the advertising proceeds provide. This is not so true when funds are raised through personal subscriptions in which but a comparatively few of the members feel like taking part.

For the use of those who will have occasion to use the fund which the Association is building up, suitable regulations have been prepared and blank forms suggested to be used when applications are made. These are now in the hands of counsel for approval and will go, early in the year, to the new committee.

The committee commends the continued efforts made by local

associations to build up local prosecution funds. The National Association should do all in its power to encourage local work along these lines because it will be some time before there will be a fund under the control of the National Association ample to carry on national work without the supplementation of local funds.

Finally your committee begs to offer the following resolutions:

"WHEREAS, Authority was given at the convention of 1912 to the Investigation and Prosecution Committee to open, under the advice of the Board of Directors, a limited number of pages in the BULLETIN of the Association to advertising, for the purpose of establishing a fund to be used in conjunction with the prosecution funds of local associations for the investigation and prosecution of fraudulent failures, and

"WHEREAS, It is recognized that there are distinct advantages in raising a special fund such as we are seeking, in a manner as impersonal as possible as against the method of personal subscription, therefore be it

"Resolved, That the decision of the convention of 1912 be sustained and the Association continue the policy then adopted of selling limited BULLETIN space for advertising purposes under rules and regulations made or which may be made by the Board of Directors."

Respectfully submitted,

FRANK H. RANDEL,
C. A. LORING,
A. F. MAXWELL,
F. H. McADOW,
W. M. PATTISON, *Chairman.*

Mr. Pattison moved the adoption of the report and resolutions. Seconded.

President Salisbury—The open parliament on the committee's report and resolutions will be presented by W. B. Munroe, of St. Louis.

Mr. Munroe—After listening to the report of this committee, and the remarks made by Mr. Pattison, I am convinced that some progress has been made in this branch of our work.

At the last convention a plan was arranged to create a national fund by the sale of advertising space in the BULLETIN. From the report of the committee I am led to believe that this plan has not been altogether successful up to the present time in securing the necessary amount of money. From my standpoint, the success of this branch of our work depends to a large degree upon the establishment by each local association of a fund of its own, irrespective of what the National Association is doing, and no matter how small the amount. Some associations have already completed a fund of that kind and they deserve great credit. To those associations which have not already done so, my advice is, get busy. The association to which I belong needs this advice, to get busy. But I hope when we come to the next convention the St. Louis association, as well as many others, will have joined the ranks of those who have begun to accumulate a prosecution fund. While our progress in prosecution work up to the present time has not been very rapid, that should spur us on to greater activity. We all know that perseverance is more powerful than violence, and many difficulties which cannot be

overcome separately when taken together yield themselves up by degrees. I heartily endorse the report and resolutions of this committee and earnestly urge upon each local association which has not already established a local fund to do so sometime during the coming year. I believe such action will solve our problem. Gentlemen, I thank you. (Applause.)

President Salisbury—F. H. McAdow, of Chicago, follows Mr. Munroe in the open parliament on the report of this committee. (Great applause and enthusiasm.)



W. M. PATTISON
W. M. Pattison Supply Co.
Chairman, Investigation and Prosecution Committee and Director

President Salisbury—Two minutes of Mr. McAdow's time have gone. (Laughter.)

Mr. McAdow—It think it was entirely unfair to overwork you in such a demonstration and use up my time (Laughter), but I appreciate your expressions, especially on such a hot day.

I have a very lively recollection of some conditions existing when I came into the National Association. In the National Association work we were wrestling with the prosecution fund. We raised that fund,

\$10,000, and thought we had accomplished wonders, and we watched it melt away in investigations like a piece of Cincinnati ice; and when it was gone we took the philosophy of a well-known Democratic candidate for the presidency and said, the prosecution fund is a local issue, and we proceeded to turn it over to the local associations and rested comfortably and content, as having discharged our duty.

About that time or a little later a credit man up in the northwest took the trail after a Portland debtor and began chasing him over several of those extensive states. In the course of his work he came into touch with one local association and said: "Help! Give me some ammunition and money;" and they said, "No, it is outside of our jurisdiction, we cannot do it;" but this credit man kept going, and when he landed the man in jail and came back home and counted up the cost, he vowed that he was going to have a national prosecution fund; and we said, "Don't do it, it can't be done;" and he said, "I am going to do it," and he kept us going; he boosted us out of our inertia, and here we are today grappling with that same proposition that I thought was settled so many years ago.

I agree with what has been said in regard to the local fund. I think the establishment of the local fund is very much like the maintenance of the local militia in the state the National Guard of the various states, ready to be called upon in an emergency; but the national fund is the regular army, and I think we will do well to maintain it. In fact, I think we must maintain it. We have committed ourselves to the plan; and I think as a Credit Men's Association we had better adopt the motto of the former mayor of Chicago; never achieving that which we do not undertake and never undertaking anything that we do not achieve. It may take a little time, but when we are working to establish this fund and then put it into operation we are only carrying out one of the declarations of our own constitution; and I believe as credit men we will feel better satisfied with ourselves, feel that we have accomplished something, not only for the present but for the future, if we maintain this fund as a deterrent against commercial fraud. (Great applause.)

J. W. Daniels, Philadelphia—If the second resolution will establish a policy that will prevent subscriptions I would be opposed to it.

President Salisbury—There is only one resolution.

Mr. Daniels—I refer to the preamble: "It is recognized that there are distinct advantages in raising a special fund such as we are seeking in a manner as impersonal as possible, as against the method of personal subscription."

I am about to offer a resolution which looks to personal subscriptions. I want to explain it in detail. It reads as follows:

"WHEREAS, It is desirable and very important that a strong and vigorous organization to punish fraud in bankruptcy proceedings be established, and

"WHEREAS, The efforts in this direction made by local associations have not produced results sufficiently striking to attract general attention."

Now, before I offer the resolution I wish to make this explanation: A suggestion was made several years ago that the members of our Association be asked to subscribe a sum to be paid each year for a number of years. A circular letter was sent out and the responses were so few that the plan was abandoned.

My thought now is that a special committee of seven be appointed, one from each of seven cities located at strategic points, and that sub-

committees be organized at intervening points and subscriptions be solicited. When a positive offer of 25 per cent. to 40 per cent. is made to a number of creditors many of whom are convinced that fraud is present, the danger of losing the dividend is usually too great to justify prosecution.

If, however, the dividend could be accepted and prosecution follow the ethics of bankruptcy would change.

After the settlement no one or even half dozen creditors will take the matter up if it involves much trouble and even a little expense, hence it is that, I say, a strong organization should be perfected to punish fraud.

A former official of the department of justice of the United States told me that if tangible evidence of fraud in bankruptcy proceedings could be brought to the notice of the attorney general he would prosecute the same at the expense of the government.

The plan I now want to suggest is that the National Association of Credit Men organize a "secret service department" with at least three offices, located in as many cities, at which there be employed at least one trained investigator, such as might be suggested to us by the chief of the United States Secret Service or the Postal Investigators Department, whose duty it would be to investigate a case where a creditor could point out that which would convince such an expert that fraud was present.

If our investigators were convinced that the suspicion of the creditor was justified and a creditor was willing to become prosecutor, then the matter would be placed before the department of justice having jurisdiction. This plan would require so much more money than we have ever thought of that I fear when I mention the figures you will hesitate, but only do so for a moment and then remember that it is easier to raise a large sum where success depends only on getting the money than to raise a much smaller amount where success is at best very doubtful.

Fifty per cent. of fraud would be prevented as soon as our plan became generally known. Now, then, we want at least ten thousand subscriptions of \$100 each to be paid \$10 per year for ten years, total \$1,000,000. Each subscription to be made contingent upon our securing 9,999 others.

This would mean 60 per cent. of our membership, and as we could not hope to get over 10 or 20 per cent. we would open the subscriptions to the whole business community.

Of about fifty firms to whom I have spoken not one refused to subscribe and over forty promised to do so.

To secure ten thousand subscriptions will cost several thousand dollars, and will mean a tremendous amount of work and take at least a year.

My idea is that the expense should be paid from the fund, but as the success is contingent on securing ten thousand subscriptions and as no money would be paid in until the list is completed, the money for expenses would necessarily have to be advanced from the treasury of the National Association and would be lost to the Association in the event of failure.

"Resolved, That a special committee of seven be appointed to secure ten thousand subscriptions of \$100 each to be paid in ten annual payments of \$10 each to provide a million dollar fund with which to prosecute fraudulent failures."

We have failed in all our small attempts; let us try a large one.

F. W. Risque, St. Louis—I move that those suggestions be referred to the incoming investigation and prosecution committee.

Seconded by A. N. Ritz, of Milwaukee.

F. H. McAdow, Chicago—Inasmuch as this resolution seemingly calls for the appropriation of money from the national treasury, I move as a substitute that the resolution and the accompanying papers be referred to the board of directors. Seconded by Adolph Landauer, of Milwaukee.

Mr. Risque—I withdraw my motion.

Second consents.

F. H. Randel, Cleveland—I am in accord with Mr. McAdow's opinion on that subject. The motion incurs liability and while Mr. Daniel's resolution contains some very good points, I think it contains propositions that should be deliberated on at length. I have gone on record in the past in our conventions as wanting to hear all there is to be said on resolutions offered, but I hope after further discussion the matter will be referred to the board of directors.

Mr. Daniels—There is nothing in the resolution that involves the appropriation of money. But if that committee was appointed it would necessarily remain idle until the board of directors made an appropriation. I think it would be better to have a special committee for our purposes, I would not load the amount of work involved on the prosecution committee. The committee proposed would work in conjunction of course with the board of directors.

President Salisbury—The matter being before the convention, as a matter of record, do you not feel that the resolution would receive proper attention if referred to the incoming board of directors.

Mr. Daniels—I do, except that the resolution calls for a committee, and I would like to have that special committee work with the board of directors. The convention creates the board; let the committee be appointed and let the board of directors make the appropriation.

President Salisbury—The question is upon the motion of Mr. McAdow, referring the resolution and papers to the board of directors. Carried by almost unanimous vote and so ordered.

President Salisbury—The question is now on the report and resolution of the committee.

Report and resolution unanimously carried as read by the chairman.

D. G. Endy, Philadelphia—May I inquire how much has been realized from the advertisements in the BULLETIN.

Secretary Tregoe—Before I left New York I took this little transcript from the investigation and prosecution account.

For the month beginning with February and concluding with May, the total receipts were \$841.11. There had been paid for advertising costs \$413.58, leaving a balance of \$427.53, and accounts due and collectable \$489, making a total available at that time of \$916.53.

C. B. Cranston, Columbus—According to this report it would take us just about one hundred years to get a fund sufficient to do any business, and I want to offer this resolution in addition to what has been carried, that the board of directors very seriously consider the recommendation made by Mr. Daniels, and if in their judgment it is approved, make whatever appropriation may be necessary to defray the expenses of the proposed committee of seven, and if

the plan offered is not found feasible, the board devise a better plan to raise a fund sufficient for prosecution work.

Seconded by D. G. Endy, Philadelphia.

Mr. Randel—It is more easily said than done to raise a prosecution fund. We have been at this prosecution work for ten or twelve years and we have not yet gone very far with it, and I say this, even though I have been a member of this prosecution committee for the past year; but we have tried to raise these funds through popular subscription, association subscription and otherwise; yet we have never met with success. You will get about 5 per cent. of the membership, and the big balance will drag along expecting to be supported by the 5 per cent. Grant we get \$25,000 the first year on the 5 per cent. Is the 5 per cent. of our membership going to put up the third, fourth and fifth year? When we establish this prosecution fund we must establish a fund that will give us an income every year, because the prosecution money is going to be used every year; and if we cannot get a fund on that basis, after we have fooled with it ten years, I say, bury it.

Arthur Parsons, Salt Lake City—Some understand that the \$900 obtained from the advertisements in the BULLETIN is the profit for a year's work, whereas it is only four months that we have had the matter in operation. I am very much in favor of continuing this experiment of opening the columns of the BULLETIN to advertising, because I was one of the original advocates of that measure, and I believe the plan will show very good results after another year's operation.

I also want to impress upon those here the necessity of having a local fund as well as the larger national fund. You will need money on hand to take hold immediately of any case that arises in your locality.

Some four or five years ago the Utah association appropriated \$1,500. We have spent about \$400 of that fund following a man out to a point where the government took him and put him into Leavenworth for making a false schedule. I am in favor of every local association having a fund for immediate action, and a general fund for the assistance of the local association in handling heavy cases.

D. L. Sawyer, Milwaukee—While the proposition of raising a prosecution fund by selling advertising in the BULLETIN is all right so far as it goes, it is too slow. We have got to devise other means of raising money. If this work is to be carried on successfully it will require a large amount of money for the first two or three years. The resolution proposed a few moments ago to raise \$10,000 in subscriptions of \$100 each is the proper thing and the one that ought to materialize. It is the only way in which we will ever combat fraudulent practices, and I feel sure that ten thousand subscriptions can be raised. I sincerely hope the board of directors will consider this question to the extent that they will recommend that such committee be appointed for the purpose, and if the committee goes at its task vigorously it can be done. It will require a large amount of money for the first three years. You cannot accomplish anything with the small amount of money that we have now. Nor can you expect to accomplish anything if you rely on the advertisements in the BULLETIN. With \$10 a year from ten thousand concerns, within three years we can drive the fraudulent class of people out of business. I sincerely hope this proposition will prevail.

D. G. Endy, Philadelphia—The resolution offered by Mr. Daniels does not interfere in the least with the BULLETIN's accepting advertise-

ments. In fact, whatever revenue is derived from that source could be used toward defraying the expenses of the special committee.

A. F. Maxwell, New York—I want to endorse the same sentiment, that it seems unfair to judge this method by the operation of four months, and it is impossible, of course, to get such a proposition working quickly. I think that in fairness to the committee and its plan, it should be given an opportunity to operate at least a year. At the same time consideration can be given to the plan submitted for providing a larger fund; but I trust it will be the sentiment of all here that the plan of advertising may be permitted to proceed, and that they will not only sit back and let it proceed, but get behind the wheel and push it along a little.

A. G. Foster, Seattle—Five years ago we appropriated at Seattle \$2,500 for the prosecution fund and we have spent it. We have one fellow in the pen, and one in jail; but what I want to call attention to is this, that money put in a prosecution is not money lost. We have spent \$2,200 out there, and have recovered four or five times that much out of the prosecutions we have undertaken.

Adolph Landauer, Milwaukee—I was against the proposition last year of using the BULLETIN as an advertising medium and I am still against it. The success that the BULLETIN has had is so limited that I am convinced it will be just the same a year from today, unless we get behind it and push. I know plenty of people in my city that would gladly advertise provided you want such advertising, provided you will let them advertise the thing that made Milwaukee famous. But I do not think you want that class of advertising in the BULLETIN. These are the people who pay for big advertisements; and if you figure on raising any money for the prosecution fund through the medium of the BULLETIN you will get badly left. The way to do is to put your hands in your pockets and give. The amount is so small I think this body could get \$10 from ten thousand concerns of this Association. The way to do it is to try. (Applause.)

S. G. Rosson, Baltimore—Whatever it may be worth to the convention it might be well to give you the experience we have had in Baltimore. We have a prosecution fund in Baltimore now, amounting to \$15,000, raised on the basis of 10 per cent. per year on the entire subscription of each subscriber to the fund, if called upon for that amount, or for such part thereof as may be needed in the prosecution bureau. But you cannot call upon any subscriber for more than 10 per cent. of his subscription per year. We have raised a fund now of \$15,000, and we have put our first man in jail. That did not cost us a penny. We used the United States court and prosecuted by their order, without any cost to our bureau. Yet we have the advantage of the advertisement of it, and I will say that we levied not an assessment, but made a suggestion to each concern pro rata according to their commercial rating by Dun and Bradstreet. If the concern is rated \$150,000 to \$200,000, it was suggested that its fair pro rata subscription would be \$150 or \$200, as the case might be; and we had little trouble in collecting as much as \$15,000, which we felt was all we needed. Our fund has worked very successfully. We have one man in jail, and we have been operating only about six months.

President Salisbury—I will read a resolution as drawn by E. F. Sheffey, of Lynchburg. It is as follows:

Resolved, That the board of directors of the National Association of Credit Men be and are hereby requested to give very serious consideration to a plan proposed to raise \$1,000,000 for an investigation and

prosecution fund, and if in its judgment the plan suggested is sound, to adopt it with such amendments as it may deem proper; and further be it,

"Resolved, That the board appoint the proposed committee of seven, and make such appropriation as may be needed to carry the plan as approved by the board of directors into effect, the cost of the campaign to be borne by an appropriation from the net proceeds from advertising in the *BULLETIN*."

Mr. Sheffey—I think we will get the use of the net proceeds in this way; and let it go forth that a million dollars is to be raised to prosecute delinquent debtors; that detectives will be on the track of fraudulent debtors and that jail awaits them, and we shall put an end to their operations.

Motion seconded to adopt the resolution.

F. C. Wasserman, Portland—Is it the purpose in raising this fund to relieve the local associations?

President Salisbury—No.

Q. For what purpose will this be used?

President Salisbury—if I may be permitted to answer: There are a great many cases arising where there seems to be no way of placing the expense for the prosecution. The debtor is not indebted to those in the community where he has committed his fraud; but the debtors are scattered all over the country; and there seems to be a necessity for a fund that can be drawn upon for prosecution purposes in national cases. It is the object of the National Association to have a large fund that can be used in this manner.

Q. Would it be practicable to submit to a per capita increase?

President Salisbury—Personally, I should say no.

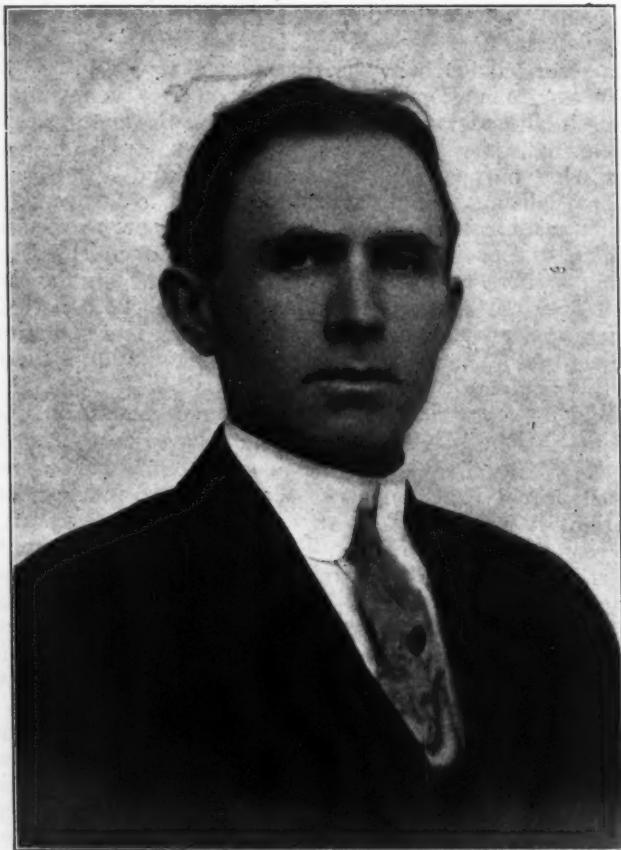
Harry New, Cleveland—The question the gentleman just asked was answered last year. That proposition came to me, and in a pool of all the associations it was turned down. We took the report of the committee last year, at which time Mr. Pattison reported the proposition as now considered, and it was practically put up to the entire membership of the country. He found that the majority of the associations and probably two-thirds of the membership refused to have their associations taxed or to have the individual association taxed; and the reason for that was that they were in process of forming their own local prosecution funds.

As you know, and as Mr. McAdow explained, the Association started a prosecution fund and then turned it back to the associations. There have been eight or nine years during which the associations have been raising their own prosecution funds and we have made the same progress along this line. The largest associations of this country have these funds. You may not be able to do anything with the Daniels resolution for another year, but we are working toward that end and we are coming to it. We are going eventually to have this prosecution fund. The committee hit on this way of advertising, and another year that will bring in a good sized fund; but the question is a live one. We are getting somewhere, and in answer to the gentleman from Portland, the local work must go on stronger and stronger, no matter whether you have the national fund or not.

D. G. Endy, Philadelphia—This is the most interesting subject we have had. The proposition that Mr. Daniels presented contemplates not excluding people who are outside of the National Association of Credit Men. In most failures you will find most of the merchants, bankers and manufacturers are not members of the Association. This project

contemplates asking those people to make their contribution of \$10 a year, with the understanding, of course, that the National Association is responsible for the fund. I believe it would be an inducement to have the outside community join the National Association of Credit Men when they once know there is a fund of a million dollars available for purposes of this kind.

C. B. Cranston, Columbus—I am glad to hear of this proposition and I will tell you why. An idea has gotten into the minds of some of the members of our Association that it is almost too cheap to be good.



H. G. BARBEE
Harris, Woodson, Barbee Co.
Director

(Applause.) A million dollars is not too much; it is hardly enough. In the little city that I came from (when I compare it with some of our larger cities) the retailers are showing us something. For a few years they operated their protective association under a fee of \$50 to \$200. They said, we cannot get out of it more than we put into it and we are not getting enough. We who are giving \$200 will make it \$400. Now, I think it is about time that the wholesalers should not let the smaller retailers stand up and make them look like thirty cents. I do not care

how you get it, but whatever you do, get the million dollars. We ought to have it. (Great applause.)

Motion made, seconded and unanimously carried adopting the resolution.

President Salisbury—We shall now listen to an address, "The Means to an End," by J. Edward Stilz, Indianapolis, Ind.

The Means To An End

ADDRESS BY J. EDWARD STILZ, INDIANAPOLIS, IND.

Mr. President, Ladies and Gentlemen:

Twenty-nine hundred years ago, one who excelled all others in wisdom, said: "There is nothing new under the sun," and this expression, which has descended through the ages, is doubtless as true today as then. While civilization has advanced in a wonderful degree and unprecedented discoveries have been made in science, in medicine, in mechanics, in astronomy, in geology, and in all the varied elements of life, nevertheless, these all have served merely to reveal conditions already existing and not to create new truths. If, then, for almost thirty centuries it has been impossible for man to discover any new creation, it is beyond my ability to present to you any element heretofore unknown. It may, however, be possible to clothe an old truth in a new garment, and to cause a new light to radiate about facts already existing; and this I shall endeavor briefly to do. Should I fail, I beg of you to regard it as a failure of one to whom has been assigned a difficult and unaccustomed task.

We are met here at this time, as we have assembled upon many previous occasions, as representatives of the National Association of Credit Men, the largest commercial body in existence. We represent millions of invested capital, and handle annually business aggregating many times the value of such capital. At our conventions, we form new friendships and renew old acquaintances. We clasp hands with new recruits as well as with those who have grown gray in the service; we hear committee reports which show evidence of much time, thought and labor expended in the accomplishment of certain results, and we hear addresses to which it is extremely good to listen; we acquire that degree of inspiration which is possible only through personal contact, and then we separate and go our several ways to resume our accustomed tasks. That much good accrues to us as a result of such meetings is evidenced by our presence at each recurring event, and beyond question we carry away with us much that is of value to us, and the question might naturally arise, to what does it all tend? Do we settle back into our accustomed methods of thought and operation, or do we endeavor to make practical the theories that are advanced for our edification, and thus proceed along the path before us with uplifted thought and a broadened range of vision?

There are things to be chosen in preference to riches and the material side of life should not absorb us over much; and yet we know that business must be conducted and profits realized in order that the vast throng of humanity that people the earth may be sustained and the temporal side of our lives maintain its equilibrium. When we consider the very great percentage of all business that is

conducted on a credit basis, we as credit men should above all others realize the importance of our high calling and appreciate the responsibilities devolving upon us, for we are not only accountable in a measure for the welfare of a small and restricted circle of debtors, but in a broader sense hold in our hands the destinies of a nation. Our duty consists not merely in opening an account and at the maturity thereof making the collection; but we have a duty toward our fellow men in the performance of which our work as credit men is merely incidental, and, therefore, our chosen profession is not an end in itself. We give much time and attention to bankruptcy and assignment laws, to methods of compelling the payment of debts, to the punishment of fraud, and to the maintenance of courts for the purpose of administering commercial justice; and owing to the complexity of our business structure and the varying degrees of honesty, integrity and ability of those with whom we have dealings, doubtless this is necessary to the preservation of our financial safety. Fraud and dishonesty have existed from time immemorial and doubtless will continue to a greater or less degree to the end of time; many undesirable elements of more recent origin have been injected into our commercial life.

Would it not be better then if we could strike at the root of the evil, and endeavor to adopt preventive measures, rather than to apply a remedy after the disease has become deep seated? We may not be able to hope for a commercial millenium, and yet we know that conditions can be brought far closer to perfection than they now are, and it is incumbent upon us to determine the extent to which we are responsible for conditions as they now prevail, and for their improvement and perfection. To inculcate in the minds of men a deeper sense of honesty and integrity, to increase their ability and efficiency, to awaken within them a greater desire for success and abhorrence of failure, thus promoting their welfare and ours, and eliminating to a very great extent the necessity for courts and statutes, and to accomplish these results by a process of education may seem to us a Herculean task, and we might feel that the goal is too far in the distance to justify the effort required—yet history has given us innumerable examples of men who have confronted problems presenting far greater difficulties and demanding a much higher degree of patience and perseverance than, might be necessary in the matter before us.

For almost three decades, David Livingstone labored in the heart of wildest Africa, daily risking life and health in breaking down barriers which might to us seem insurmountable, and finally died in his chosen field of labor; all to the end that he might open to civilization that great continent, rich in natural resources that had hitherto remained in darkness and without development.

Cyrus W. Field attempted to put into effect the idea conceived in his mind of connecting by cable the two great continents of the earth, and in 1857 carried out into the Atlantic 335 miles of cable, at which point the cable was severed and the attempt failed. The following year he succeeded in carrying a cable the entire width of the ocean but after 732 messages had found their way over the wire it became forever silent. Seven years intervened before his next attempt and after 1186 miles of cable had been safely deposited in the ocean it broke in 11,000 feet of water. Undaunted, he made a fourth attempt the following year, this trial being crowned with success, and as the result of his indomitable courage and ceaseless efforts we are able to

learn today the happenings of yesterday on the other side of the globe, and that which was at one time unthought of is now a matter of daily necessity. What is true of these men is true also in a greater or less degree of the men who invented and perfected the telephone, the steam engine, the threshing machine, the printing press, the use of anæsthetics in medicine and surgery, classification of stars and planets, and of them who discovered or presented to the world all new scientific truths. All these possessed the same elements and qualifications. None considered his self-imposed task a burden—nor counted the cost, and each dedicated his life to the welfare of his fellow men, considering his life not as an end in itself, but merely as a means to an end.

Results that are everlasting are not accomplished by impulse nor within a short space of time; but by patient and consistent application; and while we are not called upon to sacrifice our lives as did those to whom reference has just been made, it is our privilege to draw inspiration from their examples and to appropriate to our own use those elements and characteristics which made their names famous and which blessed us with the fruits of their labors.

What, then, is the task to which we, as credit men, should set ourselves? If it is possible to impress upon men their obligation to their creditors in making a success of their business, not only for their own welfare but for the benefit of their creditors as well; if it is possible to elevate to the highest possible plane the wise extension of credit; and its *honest acceptance and use* on the part of the debtor class, and to convince men that it is their duty to *succeed* and *not to fail*, thus promoting among debtors and creditors alike a healthier, happier and more profitable life—I repeat, if these things are possible, and only time and effort are necessary to bring these to pass, are we not neglecting a sacred duty if we fail to improve our opportunities toward that end? Should we not now lay a foundation upon which each succeeding generation may erect a structure more safe and sure and of greater endurance than we now enjoy? Let us then determine that as credit men we will lend our influence to the betterment of our commercial fabric by removing, as far as possible, those undesirable elements which tend to lower the standard of quality, and substitute therefor an awakened conscience, a wider range of vision and a deeper desire to succeed and to satisfy every obligation. Realizing as we do that every success substituted for failure strengthens the line of resistance, let each one of us, in our own sphere, endeavor to educate our debtors in those things of which they may now be ignorant, strengthen them where they are weak, and as far as possible point them to success.

We can hardly fail to wonder at the large proportion of men who in the physical conduct of their business omit many elements necessary to success, and if we would perform our full duty as credit men we must educate them in methods of supplying these elements. Let us impress upon all seekers of credit, the necessity of knowing the details of their business, of applying themselves closely to the conduct thereof, of keeping books of accounts, of selling principally for cash or promptly collecting their outstandings, of buying favorably and taking advantage of cash discounts;—in short,—where such need exists, assume toward them the attitude of preceptor and pupil, of father and son,—and last—but possibly of *primary importance*,—bestow upon them, by precept and example, the highest sense of

honesty and integrity in the conduct of their business and in their relations to their fellow men.

Marshall Field is quoted as saying, "Instil in the minds of our young the necessity of building a character that will win the respect of all. This is vastly more important than a great fortune." This may be very aptly applied to old as well as to young, and if we will consistently lend our influence toward making effective this principle we will confer a lasting benefit not only on this generation but on future generations as well.

And now, in the words of the great preacher, "Let us hear the conclusion of the whole matter." We, as credit men, are members of an honorable profession, and we occupy a position not only in the business world, but in society and the state as well, and our duties are manifold. By our life and our work, we should be a source of constant and increasing aid and encouragement to those about us, and our conduct should be such as to reflect favorably upon our high calling. We are building, not for the present, but for posterity, and it behooves us to lay a sure foundation, as by our works we shall be known. We are the architects of our own careers, and we cannot evade the responsibilities devolving upon us. Our fame may not spread abroad, and like the prophets of old, we may be without honor even in our own country, yet if, in the words of the immortal Lincoln "We will continue in the right as God gives us to see the right," we may rejoice in the knowledge of a duty well done, being conscious that to the best of our ability we have contributed to the welfare of our fellow men. Let us, therefore, look forward to that day when *the best that is possible will have been accomplished and the nearest possible approach to commercial perfection will have been realized*; and whether that day shall come to pass in our generation or shall be postponed until after we have laid aside our implements of toil and passed on to our eternal reward, let us determine, in so far as lies within us to dedicate our talents to that end; and that both as credit men and as individuals our lives shall constitute not an end in themselves but a means to that end. (Great applause.)

An adjournment was then taken to next day, Friday, June 20, 1913, 9:30 o'clock A. M.

FOURTH DAY
Friday, June 20, 1913
MORNING SESSION

The morning session of the fourth day was opened by an invocation pronounced by the Rev. John M. Waldron, Bishop of the Methodist Episcopal Church.

President Salisbury—The first order of business is an address, "A Plea for Good Order in Business Practices," by H. G. Moore, of Kansas City. (Great and long-continued applause.)

A Plea for Good Order in Business Practices

ADDRESS BY H. G. MOORE, KANSAS CITY, Mo.

It is my privilege to talk to you on one of the every day questions, upon a subject which should be of interest to all, upon one of the many questions that present themselves to us in our capacity as preventers of loss, as conservers of profit, and I believe if rightly understood the rules of conservation are as applicable to our business as they are to any department of affairs.

This is the time when we are asking why. We are in the day, not only of the greatest conception of industrial development and business expansion, but we are also in the period when much and vital attention must necessarily be given to intricate detail and definite results. It is the time of investigation, of adjustment, of cost education, of credit consideration, and of effort along lines tending to improve business conditions, and to the correction of some of the abuses which have crept into trade during the years of prosperous business and trade expansion.

It is the time for free and open discussion of questions of importance to our commercial interests, and it is the time to find a common ground upon which we can secure unity of purpose and the promotion of such reasonable and safe action as will be beneficial to our commercial, industrial and our financial interests.

As credit men we are vitally interested in the elevation, improvement and correction of business methods. The constant increase in the cost of doing business, coupled with the ever lessening of profit percentage, in these days when such determining factors of profit are so dangerously near each other, entitle the consideration of such matters and the conservation of profit margins to our most thoughtful consideration of which none are of more importance nor most costly than the encroachments of unjust deductions, improper observance of terms, and the unwarranted deduction of cash discounts.

The subject assigned me is "The Observance of Sales Terms and the Tendency Toward Net Settlements."

If you will undertake to study and make an investigation of these questions you will be much surprised, as I have been, to find there is so much flagrant abuse and to learn that it is not confined to locality or section, nor to any particular line of trade, but that all are suffering from laxity in observance of sales terms.

We have always been of the opinion that a credit man extending credit is not merely shipping goods for the pleasure and profit of his firm, but is loaning or furnishing capital to the customer with which to do business, and not infrequently he is loaning borrowed money upon

which interest is being paid and for which no interest is received, and on which no proper calculation of interest has been included in the price. Surely there has not been a computation beyond the sales terms. It has been rightfully said that manufacturers or jobbers usually carry two stocks of goods, one in the warehouse and the other scattered around the country in the hands of customers.



H. G. MOORE
Kansas City, Missouri
Director

If we confined our business operations to "cash with orders" how restricted would some of our customers be, but probably if this were the case, they would be more appreciative of the liberal lines extended and more readily comply with and properly observe the condition of sale.

Some recent financial disturbances have encouraged latitude in violations along these lines, and many merchants have not failed to take undue advantage and make permanent certain considerations made plausible by temporary conditions. The abuse of sales terms is the rule rather than the exception, and in some lines the fences are down and the purchasers seem to make their own conditions and terms, until terms seem subject to the pleasure of the customer, remittances are received less such deductions, and at such times as suit them best. The passive submission of such abuses and such concessions for sales reasons, granted to stimulate trade and encourage larger business have grown in the aggregate to large proportions in these days of enlarged volume and there should be an absolute divorce of sales concessions from the terms proposition and both the sales price and terms should be well, clearly and independently defined.

Just as some recent conditions have resulted in the withdrawal of too liberal extensions of credit, so will the constant increase of so apparent and such flagrant violations of terms eventually demand the positive correction of these costly and unestimated losses.

How many of us figure what it costs to carry our past dues, or how much borrowing our firm would be saved and how much interest if terms were properly observed and payments promptly made? Our customers will respect us for our insistence and adherence to terms, for they know that we are insisting upon our rights no more plainly and no more fairly than they would insist upon theirs in case of overcharge, error in shipment, invoice or terms. We are all too fearful of offending or losing a customer to stand up for what is right, but our personal experiences are that nothing is lost in the long run and much is gained by insisting on settlement according to contract.

When a sale is made all that is right should be allowed in the way of prices and terms. The contract is completed and should be enforced and a merchandise contract and the proper fulfillment of same should be as binding legally and morally and its fulfillment as definite as any other business or legal contract. We sell no more goods by being lenient with our customer and often that customer who has tried our patience to the utmost and to whom we have granted the most concessions, is the one most easily lost to our competitor.

One frequent cause for a merchant's failure is over-extension of credit, coupled with dilatory collection methods, and you will encourage him and make him a better business man by your insistence on prompt payments, and the proper observance of terms; for it will prevent or discourage his improper credit extensions to his customers, and our actions will be beneficial to him in his curtailments so that benefit accrues all along the line.

We believe in the proper exercise of patience with the new man in business, but the most of these violations are on the part of those long in the trade, who for many years have violated the essential and ordinary courtesies and considerations. We find some of the largest interests of the country and the oldest and best established are making a daily fight to keep their customers in line and in some markets iron clad rules regarding such matters have been established and while there was considerable trouble in enforcement at first and some friction, a firm stand has resulted in a proper correction and no trouble is now experienced in that direction.

There should also be a universal requirement upon long term or dating sales being settled by note. Our customers will owe no more, the jobber

and manufacturer will benefit thereby, we will possess more of the medium of exchange, it will be an added relief to credit lines, and there would also be a general insistence upon and the collection of interest on past due accounts, which will materially aid in the elimination of the abuse. We have one customer who persisted in making unjust deductions. Recently he made a deduction and although we interviewed him personally, he laughingly remarked that he "guessed we would stand it." After proper persuasion by correspondence and his failure to remit we wrote him a very polite and emphatic letter stating that in the future his orders would not be accepted without cash in advance unless this unjust deduction was remitted and at once. We came to the conclusion that his trade was worth no more or as much as his excess deduction, and today he is walking in the straight and narrow path, and will remain there if he continues to do business with us.

We recently had a case in which it was necessary, partly on account of credit conditions, to ask a customer who was really entitled to very great consideration, to permit the shipping of a carload with sight draft and bill of lading attached if he wanted the goods, and while we were fearful that such a demand and position might lose us his business, we were convinced that this was the proper stand for us to take. After the exchange of a letter or so the shipment was made in this way, our customer's confidence and trade was retained, and through diplomatic correspondence he was made to understand that he has something to ask instead of all to receive—that his financial standing is open to improvement, that he has impaired same by unjust deductions. We are certain that our lesson has done this customer a lasting good.

Our correspondence should be forceful, diplomatic, but truthful and courageous. Of course, one must know how to write his letter, for it is the letter that gets the result that we all want to write. This reminds me of a story of a dispenser of wet goods down in Kentucky, who wrote inadvertently to a minister in prohibition Kansas, soliciting from him the names of a dozen of his friends to whom they might send circulars advertising their goods and soliciting their patronage. Possessing a keen sense of humor this minister forwarded the names of a dozen pillars of the church, and he was much surprised in a few weeks to receive a letter from the Kentucky firm stating that it was glad to inform him that of the dozen names he had sent in six had already placed orders and it was hoped that a deal with each of them in the near future would be closed. A check for six dollars, his commission on the half dozen sales was enclosed.

Why have the mail houses with their "cash with order in advance" become so large and so prominent a factor in the trade world? With a policy which the average merchant would be fearful of adopting, but which they have seen enforced until many of their customers have become enamored of this false economy and much of their legitimate trade diverted from its local channels, simply because these merchants have been largely non-insistent upon their own co-operative rights and because foreign competition has been allowed through more adroit sales methods so to encroach upon their trade and territory as to cause serious complaint and often almost terror to the retail merchants who would consider it suicidal to insist upon a prompt payment or enforcement, to say nothing of cash in advance or even on delivery.

Why is it that certain large staple lines of goods are sold upon rigid, definite, uniform and inviolate terms. Simple because the rule has been established and adhered to. Why is it that certain of the

present largest productions of the country, bordering upon luxuries and sold to those best able to command credit are sold upon the shortest terms or practically upon a cash basis? Simply because the producers thereof have had the nerve to be insistent and have universally respected this term and have considered this their own interest.

Why should the producer of a popular summer drink, so popular that it is sold in almost every village and at every fountain, be able to place terms of strictly ten days net cash upon his product, and to build up a mammoth business, the envy of competition? Merely because of his insistence and the enforcement of these terms, from which there is no deviation no matter what the financial worth of the buyer; simply because he had the courage.

If 24 per cent. of the failures are ascribable to incompetency and thirty-five per cent to inexperience, and if failures from these causes are constantly increasing, then surely we should be unsparing in our efforts properly to educate the new man in business and especially along these lines in which so many of our customers are abusive of trade courtesies so liberally extended.

A reputation for prompt payment and prompt cash discounting is a good insurance of liberal and cheerful granting of extensions in times of necessity and limited capital does not prevent a merchant from receiving ample assistance if he has a record for prompt attention to obligations. Every merchant should maintain a certain and proper standing which always gives him a preference and consideration more valuable to him than the small and unjust deductions he may make.

The man who makes the best customer for you and me, the man who deserves and receives the best treatment, the one entitled to our most liberal terms is the one who gives and expects a square deal, but one whose business hinges upon the allowance of improper charges, excess terms and improper extensions of any kind is worthless to you as such deductions will grow rather than diminish, and it is but a question of time before his business, rightly figured, will represent an actual loss. Allow me to suggest that the elimination of this class of customers from our books will occasion little real loss and the energy employed in behalf of these disputants in the credit, accounting, and sales departments can be made of much more value in increased care of our more worthy trade.

What a lot of fair minded men there are in business, men with whom it is refreshing to have a business transaction, men to whom an obligation is an obligation, whose customary promptness is a pleasure and to whom maturity means something, those men who are entitled to and do receive every courtesy and consideration; but we regret to say there is, on the other hand, a considerable number who should be placed absolutely upon the "cash with order" list and kept there until they are properly educated in business practice. They should be made aware of the fact that they are pursuing a short-sighted and ruinous policy when they become addicted to improper deductions and short remittances, and the tricky business men should be placed and kept in a class by themselves.

The prudent merchant is the man who prizes his record for prompt and full settlement even though it has been made at times when serious sacrifice was necessary to protect his good name.

The most serious of trade abuses we feel is the improper deduction of cash discount after the discount date is past. Cash discount

has fallen into sad disgrace and originators of the term would hardly know the present remnant of the one time well observed and definite custom, for it has become to a large degree a trade concession, a much misused and well abused term, and in almost every market the condition is not improving but is rapidly growing worse. Cash discount is not an allowance from the billing price, but a premium the seller pays as an insurance against loss, a deduction from his profit so that he may avoid excessive use of his credit and turn his invested capital more frequently as well as avoid the cost of carrying the account which some one must pay.

We all like to see and foster the proper taking of discounts and the system should be encouraged for it speaks of thrift and business capacity as well as sufficient and ample capital, and a profit in itself, while the discounting of one's bills will act as a systematic safeguard or a restraint against over-buying and serve to limit him more safely to his capital.

The narrowing margins of more recent years have largely compelled the manufacturer or seller of raw materials to eliminate the cash discount and without any increase in price, more than his share of this withdrawal has fallen upon the jobber who cannot correspondingly reduce his cash discount to the retailer.

The retailer who so largely advertises and emphasizes his selling for cash and his elimination of costly accounting, is sometimes the most apt to encroach upon his creditors' premises and profits by his deductions and dilatory payments. Ten days overtime on every sixty days bill of goods is equal to three months time in a year, or at 6 per cent. means one and one-half per cent. It is unjust to your good customer who discounts promptly to make this concession to his less worthy competitor. Suppose you sold a bill of goods on ninety days' time and at the expiration of seventy-five days were to ask your pay or raise your price, what kind of a reputation would you enjoy in the trade? But why is it not as fair for you to ask pay in advance as for your customer to insist on payment after maturity?

It is frequently claimed that the discount is withheld on account of goods not having reached destination. We believe the discount term should be so gauged that the merchant could receive goods before payment, as that would seem only fair, for we want at all times to be fair to the customer as we expect him to be fair to us; but it should not be overlooked and should be thoroughly understood that cash discount is the premium paid by the seller for the payment within a certain period after the goods leave him. We know of one representative house of the country who figures the time it will take the draft to reach destination, and no matter whether it is to Kalamazoo or London, the draft is there on the day the bill is subject to discount.

If a merchant went to a bank and borrowed money he would certainly pay for every day after maturity he let it remain unpaid. He would be lucky if he escaped the protest fees and in addition usually pays interest in advance.

Why should one phase of commercial policy be more liberal than another? The banker will tell you he is entitled to every penny of his legal income because of the narrow margin, but his net margin is comparatively no narrower than the jobber, so why should a distinction be made? It will not impair a merchant's credit with his banker to know that he is borrowing money to discount his current bills and his standing at home and with his banker should be such that he is worthy of

sufficient short time loans wherewith to discount promptly his discount items, and the banker should be and is willing and glad to see him taking the discount and his promptness will strengthen and encourage his relations with the banker.

The abuse of the system is encouraging in that merchants are bringing upon themselves, in fact, forcing the inevitable abolition, of the discount allowance. It would be a radical step, but our National office is authority for the statement that the testimony of those who have tried it is, "there is no material loss of customers.

We noticed the advertisement of a firm the other day which stated: "We give dating but no discount."

A change to net terms would possess many advantages. It would make easier settlements, more definite payments and would also restrict discounts to such allowances made for prepayment as is warranted by the market value of money. But before advocating net terms let us have a vigorous and effective campaign for the universal respect and observance of existing terms and see if thus we can eliminate the abuses from the present practice of giving discount for prompt payment.

Bad conditions exist, gentlemen, not because our customers created them, but for the reason that we have allowed them to assume their present proportions, and as we have created, so the remedy lies with us and us alone, and as an association we should take a decided emphatic and unanimous stand.

It is a campaign we should enter without fear or favor, and for the good of our membership, and for the benefit of the commercial interests of the country at large. Instead of fighting this individually, let us fight the good fight all together, for we have been much benefited by united action and there is more in the conquest of the future, and while successes line our march of progress, let us add one more brilliant achievement and establish the rule: "Sales Terms and Discounts Must be Observed, or Discounts Abandoned and Terms Modified."

If the cash discount term is too short for the delivery of goods, move it up to fifteen or twenty days, but whatever they are insist rigidly upon the observance of the limit. Let us dictate the terms and conditions of our sales and insist upon the promptitude the conditions demand, remembering that success will never come by compromise; so let our purpose be as well defined as the opposition is insistent.

How shall we proceed? By our hearty approval and support of the educational campaign in this direction carried on by our National office, that valuable instrumentality, whose effort has the wholesome endorsement of the progressive retail merchant associations, and by proper effort and hearty co-operation on the part of each of us which will insure the needed reform.

How shall we correct it? By our hearty, cordial and aggressive work through the valuable assistance of the sales department, whose support we each must have if we are to succeed, whose co-operation we must solicit and obtain if we are to eliminate these abuses and in their stead promulgate the doctrine of clean and wholesome business.

How shall our local associations assist? How can they serve to lessen or eliminate these abuses? They can do so by increasing their membership so that in this way they will become better organized against all abuses, and be in a position to educate all credit men to a better understanding and fuller conception of their duty to themselves and to the commercial world.

How shall we aid individually? By our own observance of terms

with others, so that we can ask a confinement on the part of our customers to our terms, and be able to give them our assurance that a more rigid enforcement of a contract and the mutual recognition of its provisions cannot disturb proper relations between just and honorable business men, between the customer who wants to do his duty and his dependable friends, the jobber and manufacturer.

The position taken by this representative, recognized, commercial organization, with its qualified membership, with its equipment, standing and prestige, actuated by the just principles which have always defined its course (for this organization can do anything that is right), will under our leadership readily give impetus to similar work of other organizations, even as an aggressive campaign is always contagious and inspirational.

When this shall have been accomplished, when we have eradicated these evils which can easily be lessened and gradually but surely eliminated, when we are outspoken and have taken a decided, emphatic and not uncertain stand, when we have more clearly established commercial usage and have more fully defined trade ethics, when we have the courage to insist that a bill or an invoice be as inviolate or sacred in its terms or provisions as any "I promise to pay," then we have taken another forward step, then we have achieved another definite purpose, then we have been true to one phase of the work to which I feel we cannot be too largely committed, then we have to ourselves been true, and it does follow "thou canst not then be false to any man." (Great and long-continued applause.)

President Salisbury—The next order of business is the report of the Bankruptcy Law Committee, Harry New, Chairman, Cleveland. (Great and long-continued applause.)

Mr. New—I hope that the members of the committee have all read in detail the report of the Bankruptcy Law Committee as submitted by it and printed among the other reports. I believe that you will find in the report that we have tried to call a spade a spade; we have tried to say something; we have tried to find where we are at fault and have said so and have blamed ourselves, and have not spared the other fellow here.

Report of Bankruptcy Law Committee

To the Officers and Members of the National Association of Credit Men.

Your Committee on Bankruptcy Law has earnestly endeavored to act in a representative capacity and to keep its deliberations, conclusions and recommendations free from personal coloring or prejudice.

We must take into consideration that a large percentage of the men now responsible for the conduct of credit departments assumed their duties during the years since 1898 and are not therefore familiar through direct experience with conditions which existed previous to the enactment of the present National Bankruptcy Law; for that reason and the added one that there are no statistics available, no fair comparisons can be drawn between the results obtained under the operation of the National Bankruptcy Law, and those under the old state insolvency and assignment laws. Were it possible, your committee firmly believes the student looking into the old and new conditions would find it highly instructive to bring into comparison by exact figures results obtained under the two methods of handling failure cases.

By questioning those who checked credits for at least a decade prior to 1898, or by analyzing the figures to get the average experience of commercial houses doing business in a considerable territory during the years when the insolvency laws were the rule, it would be found that inequities, unfairness, dishonorable preferences, large costs, delays, etc., were the rule, all of which would but tell the story of what could be looked for were there substituted for a national law the diverging insolvency and assignment laws of forty-eight states, a story of disorder and retrogression in collections.

It will be conceded that the credit man or credit grantor has made greater progress in the initial checking of a credit through closer contact with his fellow credit man and the systems thereby developed, than he has made in the collection of an involved account, or an account which brings him face to face with a bankruptcy or insolvency situation.

There is a tendency to assume, certainly if action with any truth reflects thought, that a collection law should work automatically, that an account merely thrown into the hopper of the courts should give a perfectly satisfactory return without the exercise of reasonable diligence, attention and defense upon the creditor's part.

Your committee desires to impress upon the membership and upon all credit grantors that no collection law within the power of the human mind to conceive will act automatically; that satisfactory results from involved accounts come as the price of diligence, attention and the exercise of the same prudence and care that are devoted to the initial checking of the credit.

Recognizing the need of sounder thinking in this matter, your committee will very earnestly recommend that during the coming year and the following years every reasonable effort be advanced by the Association to promote among credit grantors the consciousness of this need and to awaken in them a determination that every involved account shall be diligently followed to its conclusion, every motion of the court observed and each action of the debtor closely scrutinized.

Given such diligence it is not difficult to prognosticate that fraud in the planning and execution of failures will be attended more and more with serious risk and men who now commit fraud deliberately will be restrained by the dangers they expose themselves to.

Your committee was made aware during the course of the year just closing that sincere complaints from some directions were advanced against the law, but in the final analysis, as would be conceded by many of the complainants themselves, practically all the complaints involved the practice of law, not the fundamental law itself.

As an able New York lawyer stated, the real ethics of the National Bankruptcy Law has not been realized by either the merchant or the attorney.

Your committee desiring to secure from the membership a frank expression of complaints directed against the law or its practice and also comments or suggestions for its more effectual administration, addressed a general letter in April to all local associations. Immediately thereafter the committee held a conference at Cleveland. At this conference your committee was favored with the presence of a referee in bankruptcy of wide experience, exceedingly practical and perfectly fair. In a session of unlimited discussion letters received in reply to your committee's general communication were taken up and every point of the law and its practice involved in complaints, comments or suggestions thoroughly considered.

Your committee will endeavor to present in this report the important conclusions reached at this conference. They should have the effect of awakening upon the part of every credit grantor a live interest in the law and its practice and a determination to test its equity and protection thoroughly.

In some directions the thought controls that the fraudulently inclined have used the law for a furtherance of their purposes. The credit student must bear in mind that into our commercial life during the past decade or two, more than in any time in the history of our country, new elements have been injected whose traditions and instincts are not for the most part of the ideal type, and that some traders of this class should have successfully perpetrated fraud, may be chargeable more directly to the pressure in selling on credit, than to any defects in the bankruptcy law.

Your committee is convinced that given the same amount of credit a larger amount of commercial fraud would have been perpetrated under state insolvency and assignment laws than under the prevailing bankruptcy law. The support of this conclusion is impossible through definite data and we can merely suggest to those who hold the idea heretofore expressed and to the membership at large, a thorough study of our commercial fabric and the education and diligence required to instil in some traders an allegiance to decent business ideals.

Now to the heart of the question—the results derived under the administration of the law which have been complained of in some directions and more specifically in small estates—your committee found that in creditors' meetings, called for the purpose of examining the bankrupt and for the purpose of giving creditors control, there is usually a marked absence of the creditor class either in person or by proper representative. This conclusion was sustained by the direct testimony of the referee in bankruptcy present. *Here is the crux of the situation. The lack of diligence upon the part of creditors, their representation by collection agencies or bankruptcy practitioners, who frequently use the claims they represent for the purpose of barter to secure the trusteeship, the position of attorney for trustee, or some office that might be pressed for a lucrative return.*

Will the referee in bankruptcy be encouraged, in the face of such indifference, to insist upon an economic administration of the bankrupt estate, to allow fees commensurate with the actual services performed both by the trustee and his attorney, the receiver and his attorney or the attorney of the petitioning debtor or petitioning creditors?

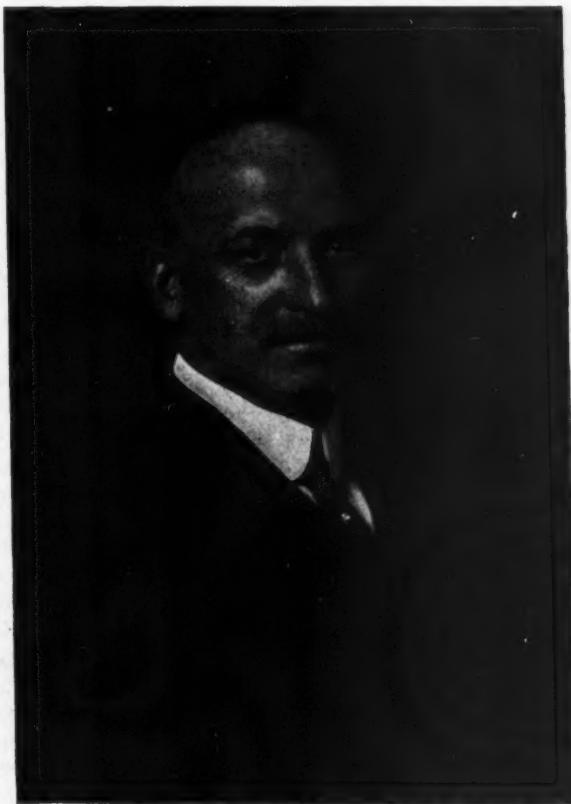
Now let us observe the due order and how effectual the diligence and defensive attitude of the creditors may prove.

The bankruptcy court is the first element in the administration of the law, and the referees in bankruptcy are appointees of the federal judges. In the selection of such a large number of referees as the administration of the law throughout the nation requires, the appointing power should explicitly know that the business interests expect of its appointees fairness, expedition and judicial courage. The referees should be made aware of an expectation upon the part of credit grantors that their part in the administration of the law is under constant review and that any presumably unwarranted decision or allowance will be contested; on the other hand, that a fair and fearless administration of the bankruptcy law will meet with the cordial support and approbation of business men.

In some jurisdictions the bankruptcy court is constantly allied to the equities of cases, but in a general way many situations might have been saved from greater loss to creditors, had diligence been exercised

on its part, and had the question of the appointment of a receiver, if one is deemed necessary, been carefully weighed, also whether the receiver shall act merely as a custodian, or carry on the business temporarily, and again had the fees charged by the attorneys for the receivers and trustees been scrutinized and investigated made as to whether they had fully performed the services charged for. Creditors in general do not always understand that the fees fixed in the bankruptcy law are a maximum and not a schedule of fees to be allowed, so that the bankruptcy court has latitude in that respect.

In most jurisdictions also there would be welcomed by the bankruptcy court and the referee recommendations from local organizations



HARRY NEW

Landesman, Hirschheimer Co., Cleveland, O.
Chairman, Bankruptcy Law Committee

such as those of this association, of business men qualified by experience and reputation to perform the office of receiver for the direct benefit of the estate and also a list of responsible men qualified to appraise bankrupt stocks. No higher service could be extended the administration of these initial stages of the bankrupt estate, none could assure equity and fairness to creditors better than this co-operation with the bankruptcy courts and your committee earnestly recommends such co-operation to all of our local associations.

You have observed how profitable diligence may prove in these primary steps and now coming to the election of a trustee, we can not speak too forcefully of the return promised in the selection of an experienced business man rather than an attorney or inexperienced person in dispensing the bankrupt's assets to the best advantage.

At creditors' meetings, called for the purpose of electing a trustee, examining the bankrupt and performing other responsibilities in the administration of the law, we urge most earnestly that creditors be present in person, or have those represent them who will really represent their interests and will not stoop to use their claims for barter or selfish purposes.

The compensation of trustees should be closely observed because again the law states a maximum, and the bankruptcy court has latitude for allowance within that maximum. With diligence, creditors can successfully contest allowances and also hold within necessary service an allowance to trustee's counsel.

These matters of selecting representatives in the positions of receiver and trustee, their compensatory allowances as also those of their attorneys, must be supplemented by an insistence upon the part of the creditors that each estate be expeditiously closed within the terms of the law and that the law itself be carefully observed.

It has been reported to your committee that compositions in bankruptcy are accepted and confirmed before that examination of the bankrupt and the filing of his schedules explicitly required by law. All instances of this kind should be immediately contested and the attention of the bankruptcy court called to the law itself, how it expressly states that compositions must be tendered and confirmed after and not before the examination of the bankrupt and the filing of his schedules.

Concluding this more or less technical presentation of practices under the law and the need of creditors' diligence in securing for themselves the results which the law itself provides the method of getting, your committee wants to add its personal conviction that the nation's progress on commercial lines demands a uniform "National Collection Law" and that the present one will be found potentially adequate in maintaining equalities and the decrease of waste through insolvent estates when the spirit of the law, its ethical standards and modes of protecting debtor and creditor are fully realized by credit grantors and attorneys.

In periods of commercial strain such as our country has gone through during recurring periods in the past sixty years, consider the steadiness which the National Bankruptcy Law may give because of the even plane upon which it puts creditors. Consider also how temporarily embarrassed merchants may be saved from undue pressure which would mean insolvency and loss but for the safeguard of this law in saying to a creditor, "You may not be preferred above another." Also in the interest of all it is best to help the embarrassed debtor ride through his temporary embarrassment. This was verified in the disastrous period of 1907 and 1908.

Your committee believed it was not only proper, but advisable, in the trend of our present strong commercial education to present their conclusions in this technical way and with a hope that all credit grantors may be encouraged to study the law without prejudice and to lend a hand in making it the effective instrument in commerce which it was intended to be and is capable of becoming.

Your committee begs to tender the following resolutions:

I

"Resolved, That the members of the National Association of Credit Men and all credit grantors be encouraged and urged to be diligent when personally concerned in the administration of the National Bankruptcy Law by attending in person or by proper representative, creditors' meetings and observing each step in the process of administration so that a fair and businesslike application of the law may be assured.

II

"Resolved, That the National Association of Credit Men, through its incoming Bankruptcy Law Committee and succeeding committees, formulate and distribute sound literature upon the National Bankruptcy Law and its practice so that the interest of all credit grantors may be awakened to an efficient administration of the law and the need discerned of exerting due diligence in the collection of involved accounts.

III

"Resolved, That the National Association of Credit Men, through its incoming bankruptcy committee and succeeding committees, make known in a proper and tactful manner to the federal judges that the welfare of business demands that their appointees for referee positions must be most carefully made and to referees that the soundness of commerce will be largely promoted through the intelligent and equitable conduct of their offices."

Respectfully submitted,

STANLEY FLOYD,
A. H. DOBSON,
J. EDWARD STILZ,
W. B. CROSS,
HARRY NEW, *Chairman.*

Mr. New then moved the adoption of the report and resolutions. Seconded.

President Salisbury—The question of the adoption of the report of the committee and the resolutions offered is before you. The open parliament on the report and resolutions will be led by W. B. Cross, of Duluth. (Applause.)

Mr. Cross—Being a member of the Bankruptcy Law Committee and a signer of the report just read, I can add but very little to the recommendations that have been given you.

There are, however, one or two little points that I would like to call attention to. In nearly all the comparisons between the results obtained by liquidation of insolvent estates in bankruptcy and through friendly adjustment, both at this convention and elsewhere, no consideration seems to have been given to the fact that only those estates that are comparatively easy of settlement are handled by friendly adjustment, and then the debtor usually co-operates with the trustee or the creditors' representative, and there is no litigation.

Few bankruptcy cases are free from contest, either on the part of some creditor, trying to obtain a preference or the debtor trying to obtain excessive exemption, with more or less litigation as a consequence. I believe in friendly adjustment but I do not think it

fair to the bankruptcy law to compare the results under it with those under friendly adjustments any more than I think it fair to compare the cost of collection by draft and through attorneys. Attempts are first made to arrange a settlement out of court, except in cases showing *prima facie* evidences of fraud or unfairness, and then bankruptcy as a last resort.

One of the conclusions of the committee is that much better results from estates in bankruptcy are attained if creditors attend all meetings in person or by proper representatives. It seems to me that a proper representative is the adjustment bureau if so located as to be available. The managers of these bureaus should be more competent than even the credit man himself to judge the best methods of procedure because of their intimate knowledge gained through similar cases.

One of the large expense items is attorneys' fees. How many of us really know when an attorney's bill is too large? It always seems to be. But the attorney's work, like the plumbers, is done much in the dark. (Laughter.) The bureau manager with his experience in almost numberless cases, is better qualified to judge of the value of services where compensation is not fixed by law.

My thought is give your claims in bankruptcy to our adjustment bureaus whenever possible, and do not criticise the bankruptcy law for conditions it is not responsible for. (Great applause.)

President Salisbury—Mr. Williams being called away, Mr. Cross will be followed by Chas. E. Meek, of New York. (Long continued and enthusiastic applause.)

Mr. Meek—Only about two minutes ago Mr. Flannery, who was in charge of the New York delegation, informed me that Mr. Williams had left, and asked me if I would not take his place. Now, Mr. Williams, of course, is engaged in the merchandise line, while I am in a little different line of business, one in which you very seldom find men arising and saying good things for the bankruptcy law, because as a matter of fact the bankruptcy law has taken away from the banker a great many advantages and opportunities which he had in past years. My experience as a merchandise man in the first place convinced me that the bankruptcy law was the only fair way and the best and most economical way of handling insolvency. As secretary of the National Association I was compelled to believe in that doctrine for a number of years. Now, I find that on the part of institutions like the one which I represent, there has grown up a feeling that the bankruptcy law is the proper and safest method of protecting creditors who are doing an interstate business. It has, in our judgment, acted as a stimulant. It has protected credits, it has restored confidence.

You men know that it is a practice prevailing pretty much all over the country today on the part of the larger houses, at least, to secure some of their money through the open market. Business men in every state in the Union send their paper to the larger centers to be submitted to the bankers, and it is purchased by these bankers. Business houses of Texas, Washington, Minnesota and every state in the Union, do this very thing.

Now, today, under the bankruptcy law, we are placed in such a position—having full confidence in the fact that in the case of a disaster we will receive our proportionate share of the assets—that we are not obliged to discriminate against the merchants of any state. The paper

of Texas and the paper of Washington and the paper of Minnesota is just as good in the New York market today as the paper issued by merchants in our own state.

I know that I am speaking correctly because I see in the pocket-book of the bank I am with the paper of merchants located in all parts of the country, and we do a comparatively large business in that commodity.

Practically within the same period of time that the bankruptcy law has been in existence, we have purchased in the open market between three and four hundred million dollars worth of commercial paper. Now, that paper was purchased simply upon confidence in the business houses who offered it, backed up by the fact that the bankruptcy law would give us a square deal in case disaster overtook the business house; and we are feeling today that so far as this particular law is concerned, it played a great part during the financial disturbance of 1907, and should we again encounter a condition of that same character, I am sure the fact that this law was in existence would do a great deal towards retarding the progress of any financial scare, and would keep the banking people of the country filled with confidence that their position was equally as good as the position of the merchandise creditors. The bankruptcy law, in my judgment is the safeguard of the credit system of the country today.

Now, I am going to close, and I want to direct the balance of my remarks particularly to the creditors from the eastern part of the country. I know whereof I speak, and I just want to say this, that the men east of the Missouri river, if they were to co-operate a little closer than they have been doing in the past, with our friends in the West, and when news of the bankruptcy case comes into the eastern market, instead of sending their claims to the first man who asks for them, whether they know him or not, if they were to take the time and investigate and find out whether the local association in that particular city or particular district has an adjustment bureau, or if it has not an adjustment bureau, to communicate with some member of the Association (we have them at every point throughout the country) as to the reliability of the attorney or as to the situation—it would take little time to investigate—and then act with the local creditors, they would save themselves a great deal of money, and they would also to a large extent eliminate the many criticisms that are being made of the bankruptcy law on account of the charge of extravagance or of excessive fees which are allowed in bankruptcy cases. (Great applause.) We have an opportunity to demonstrate what we can do, and I hope that my friends in the East will from this time on show more active co-operation with the men of the other parts of the country; for I am sure that it will produce good results. I thank you. (Great applause.)

Vernor Hall, Dallas—This convention owes a debt of gratitude to the Committee on Bankruptcy Law for the splendid report it has just handed in. The report suggests a thought which has caused me to prepare a resolution for the purpose, if possible, of eliminating an abuse which has grown up in the practice of the bankruptcy law in some of the southwestern states. When I say southwestern states, I also include southern states, because I have talked with members from Louisiana and from as far west as Washington, and they have all told me that this practice has grown up and become an evil in the administration of the bankruptcy law.

In presenting this resolution I want to make it clear that the credit men of Texas and the Southwest are loyal to the bankruptcy law, and believe that it is a model law. It is only when the law is not followed that we get into trouble. We are endeavoring to correct an evil which has grown up on the part of referees in bankruptcy refusing to confirm the election of trustees suggested by the creditors. Referees frequently surrounded themselves with a coterie of special trustees, often from their own offices. To get the spirit of this convention on this important question I offer the following resolutions:

"Resolved, That the National Association of Credit Men urge the selection of trustees in bankruptcy estates experienced in the particular line of business involved, to the end that estates may be efficiently and economically administered.

"Resolved, That creditors and referees co-operate in the election of competent trustees. That it is the sense of this convention that the wise provision of the statute giving creditors representing a majority in number and amount of claims the right to elect a trustee at all times be preserved inviolate. That the election of a proper trustee should be speedily confirmed by the referee instead of refusing confirmation and appointing another, which has been the practice in some districts in the past.

"Resolved, That creditors and referees at all times work harmoniously together to the end that the usefulness and efficiency of this statute be increased."

Mr. Hall moved the adoption of the resolution. Seconded by Louis Grossman, of Louisville.

S. T. Hills, Seattle—The resolution does not seem to get to the point. If what the resolution presents is the law we can enforce it in other ways. I would like to read a resolution I have just penciled which, I think, is more to the point.

President Salisbury—Do you wish to substitute your resolution for the resolution offered by Mr. Hall?

Mr. Hills—I would like to read it.

President Salisbury—Do you wish to introduce your resolution as a substitute?

Mr. Hills—I have no objection to the resolution offered.

President Salisbury—Let us dispose of Mr. Hall's resolution first.

Mr. Hills—Very well. I will offer this as a substitute.

President Salisbury—You are offering a substitute for all the resolutions offered?

Mr. Hills—No, just an amendment to the resolutions offered. We can adopt what is now before the convention and then I can present my resolution as I have drafted it.

President Salisbury—Read the resolution.

"Resolved, That it is the recommendation of this convention that each member when placing a collection against a going concern with an attorney or collection agency, do so with a letter of instructions or endorsement that such account shall be at the call of a secretary of the local association of credit men for voting purposes, when such account shall become involved in bankruptcy or adjustment out of court."

President Salisbury—That is an entirely different resolution. I cannot see that this applies or has any bearing upon the resolutions offered by Mr. Hall. It is not in opposition to them.

Mr. Hills—Only an amendment.

President Salisbury—It does not amend any of it. I think it would please the convention if that resolution could be offered just a little later. It is in addition to everything that we have.

Mr. Hills—Very well.

President Salisbury—Are there any remarks to be made on the report of the committee?

H. A. Ferris—I think it would be better to have the resolution read, the creditors to pay a certain amount, whatever is necessary in each case of that kind, to take it to the highest court.

President Salisbury—Do you wish to offer an amendment or what?

Mr. Ferris—I object to the resolution the way it reads. I am talking against it for this reason: This resolution is all right except that it does not reach the core of the situation. If the creditors would spend some money—

President Salisbury—Will you prepare or offer an amendment to this resolution? The convention is not aware of what you are going to offer.

Mr. Ferris—I am just opposed to the resolution.

President Salisbury—You do not wish to offer an amendment?

Mr. Ferris—No.

A. N. Ritz, Milwaukee—I call for the previous question.

Mr. Ferris—The only way to reach this proposition is for the creditors to put up the money to appeal these cases to the highest court; and the law is plain enough now. We can get our trustees elected in every case, where the trustees are good men, and the creditors vote for them. If the creditors will simply stand behind the agency which represents their claims, and appeal these cases to the highest court, it will be all right. I do not think that the resolution offered by Mr. Hall alone will do us any good; but I think the creditors should put up the money to appeal the cases to the highest court and then we shall always get results.

James E. Porter, Pittsburgh—I think the report of the committee should be acted upon separately from the resolutions offered by other members of the Association. The members may favor some of the resolutions and oppose others.

President Salisbury—We shall consider the report and resolutions of the committee first.

Report and resolutions of the committee unanimously adopted.

President Salisbury—We should now consider the resolution offered by Mr. Hall, of Dallas.

Arthur Parsons, Salt Lake City—I move that the resolution be referred to the Committee on Resolutions.

President Salisbury—That motion is not quite proper.

A. N. Ritz, Milwaukee—I move as an amendment to the motion that Mr. Hill's resolution be adopted.

President Salisbury—That is not necessary. Will the secretary read Mr. Hill's resolution.

The secretary read Mr. Hill's resolution as follows:

"Resolved, That it is the recommendation of the convention that each member when placing against a going concern a collection with an attorney or collection agency, shall do so with a letter of instruction or indorsement that such account shall be at the call of a secretary of the local association of the National Association of Credit Men, for voting purposes, when such account shall become involved in bankruptcy or adjustment out of court."

Seconded.

Oscar Loeffler, Milwaukee—I think this question has been disposed of. That has been recommended already.

Vernor Hall, Dallas—This resolution extends an invitation to outside lawyers. We move very speedily from the attorney's standpoint in some cases where fees are involved; and I do not think it is good judgment to add to the apparent necessity for haste. The adjustment bureau movement is taking away from our collection attorneys some of the perquisites, in the southwest. I imagine a claim that would reach one of those people with such a provision, would inspire them to more haste than would be satisfactory for the members of this Association. (Applause.)

Mr. Hills—It was not the intention to deprive collection agents or attorneys of their fees. I do not think that is the right object or method. We do not want to take their fees away. They are entitled to their collection fees; but I say that the creditor's interest is best conserved by those who are administering an estate impartially, by those who have only one object in view, and that is, giving the creditors every dollar that the estate will pay; and that is the object that I had in suggesting that the account be placed in the hands of the local association; because you know it can have only one object, and that is to get the most money for every creditor involved.

Harry L. Eisen, Milwaukee—It is useless to debate this resolution because it has been adopted at every convention of the Association, in adopting the rules of the adjustment bureau; you will find the same conditions existing; you will find that at each conference of adjustment bureaus this question has come up; it has been embodied in their rules and those rules are forwarded to the National Association and it is already on the books.

Secretary Tregoe—At the convention at Boston there was a resolution passed to this effect, that when creditors who are members of this Association place claims with attorneys or collection agents, there should be attached to the claim a sticker, to the effect that, in the event of bankruptcy or insolvency, the claim is subject to the instructions of the forwarder of the claim. In other words, the claim was to be at the instructions of the forwarder of the claim, which gave him the privilege of recalling it if he desired to do so. That resolution was passed at the Boston convention.

Mr. Hills—That being the case I should like to see it practised a little more, and I withdraw this resolution.

Richard J. Morawetz, Milwaukee—in taking up this subject a great deal of attention has been paid—in fact, all of it—to the application and administration of the bankruptcy act. I think too little heed has been given the indirect advantages of that act. A few days ago we listened to the splendid address of our friend from Portland on the ethics of business, the settlements out of court, the advantages of such a process; and we also heard from the adjustment bureau on the greater dividends realized from adjustments out of court. Now, I ask you, and I want to leave it to the earnest consideration of all the members of the Association: How could you expect these splendid results without the bankruptcy act?

F. R. Hamburger, Detroit—I would like to ask the courtesy of the convention for three minutes to say a few words. I have been a credit man for twenty-two years; I have operated under the state insolvency laws as a credit man prior to 1898, as well as under the bankruptcy act since then; and I am loyal to the bankruptcy law; but I wish to say that its popularity is greatly in danger for two or three reasons: the

excessive cost of bankruptcy administration, the long time necessary by law to wind up an estate, and the very broad construction that has been given by courts in the last few years, which are in most cases advantageous to the debtor.

I have in my hand a letter from Mr. Remington, who has charge of the bankruptcy law department of the National office, in which he recites a decision recently made by the United States Supreme Court upon an appeal taken from a southern state, that a creditor is permitted without violating the preference provision of the bankruptcy law to furnish the money necessary for a composition. This decision would have been viewed with great alarm a few years ago, but it simply shows the trend of bankruptcy interpretation by the courts. I know that I cannot present my views intelligently possibly in the short time at my command, but I ask the privilege of offering this resolution:

"Resolved, That the following suggested amendments to the National Bankruptcy Law be given consideration by the incoming Committee on Bankruptcy Law and if after due consideration by said committee it shall deem it advisable, the committee is hereby authorized to have prepared by the legal department of the National Association the said amendments in legal form and use its best endeavors to have them presented to the Congress and urge their adoption as amendments to the National Bankruptcy Law:

"First—The referee of a bankruptcy court being merely an adjunct of the United States District Court, his compensation shall be a stipulated salary paid by the United States government, instead of the fee paid by the bankrupt estate as now.

"Second—That the time between the filing of an involuntary petition in bankruptcy and the date of adjudication as well as the time between the first meeting of creditors and the date of adjudication be reduced one-half.

"Third—That no receiver or trustee in bankruptcy shall be authorized to employ an attorney unless he first show to the satisfaction of the court that the services of an attorney are absolutely necessary to the proper discharge of his duties as such officer.

"Fourth—That when such attorney is authorized and employed, his compensation shall in all cases be based upon the actual amount of labor performed, same to be determined by the court, and if no court litigation has been necessary, then the compensation of such attorney shall in no case exceed 2 per cent. of the first \$5,000 and one-quarter of 1 per cent. on the balance of all moneys disbursed as dividends by the trustee.

"Fifth—That all provable accounts against a bankrupt estate must be filed within four months of the date of adjudication, and the referee shall be empowered to order an estate closed within that time.

"Sixth—That an application for a discharge in bankruptcy may be filed by the bankrupt within four months from the date of adjudication, but not after."

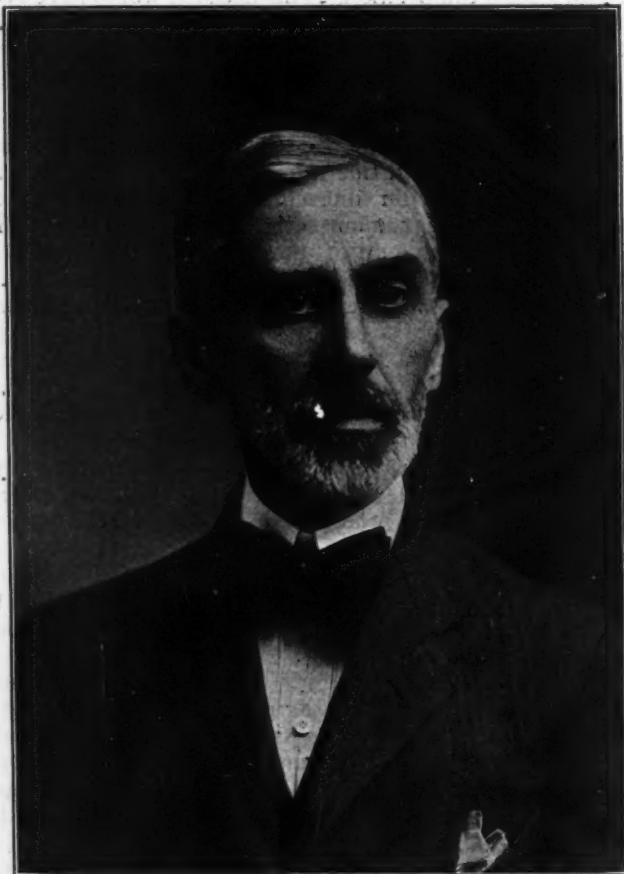
I move the adoption of this resolution.

Adolph Landauer, Milwaukee—In rising to second this motion I wish to state that the gentleman has hit the nail on the head. I will tell of an experience I have had. A failure occurred in 1904, involving some \$90,000 liabilities and \$148,000 assets. The case went through bankruptcy and was finally settled thirty days ago. All the creditors, of which I was an unfortunate one, received a 26 per cent. dividend. The

excesses were something enormous. Legal talent came from all the states in the Union and was paid its fees.

If we enter into a full discussion of what the gentleman intended, we shall be here until tomorrow, and the motion calls for a reference to the incoming bankruptcy committee; and I would move that it be the sense of this convention that we refer to the incoming committee to act as its sees fit in reference thereto. I move that as a substitute.

President Salisbury—Of course it is not necessary to discuss the resolutions as offered to you.



LEE M. HUTCHINS
Hazeltine & Perkins Drug Co., Grand Rapids, Mich.
Chairman, Federal Incorporation Law Committee

Mr. Hamburger—What I intended to have done was that the matter be referred to the incoming committee.

President Salisbury—The question is on the reference to these resolutions to the incoming Committee on Bankruptcy Law.

Unanimously carried and so referred.

W. T. Johnston, chairman of the Entertainment Committee—Gentlemen, this will probably be the last time you will have an opportunity of looking at the Entertainment Committee. (Great laughter.)

President Salisbury—Where will you be tonight? (Laughter.)

Mr. Johnston—Where I cannot be seen. If we never meet you any more in this world, we shall meet you next year—where?

I must apologize for being a little late this morning. I am a great stickler for being on time. I like everybody to be right there on the minute. I said to my boy this morning: "Willie, get up. Don't you know the early bird gets the worm?" He replied: "That's all right, but the peaches go down town on the eight o'clock car." (Great laughter.)

I was detained by a poor lady who called at our house this morning and said that she was a flood sufferer. You probably know we had a great flood here in April, and she said: "I am in very bad circumstances and I am seeking aid. I am the mother of nine children." I said: "My good woman, you were here about two months before the flood and you told me you were the mother of six children." "I know," she said, "but the flood has turned everything upside down, and has turned the six upside down, so I have nine." (Laughter and applause.)

On behalf of the Entertainment Committee I want to thank you for the attention you have paid us and we want to thank you for taking our shows and for the good words you have given us. Even if you do not mean them we enjoy them just as much. (Great applause.)

President Salisbury—It affords me a great pleasure to announce the next order of business. We have heard a great many times from our old friend from St. Louis. We will never tire of hearing him and of him. We now want to hear from George R. Barclay, of St. Louis, who speaks to us on "Order Versus Chaos," (Long-continued applause.)

Order Versus Chaos

ADDRESS BY GEORGE R. BARCLAY, ST. LOUIS, MO.

I thank you very much, but I am under the impression that there is some false notion in your mind. I sailed on the platform in the wake of ex-presidents and secretaries, and therefore I suppose I am getting not what I should have coming to me. (Laughter.)

You will notice on your program that our genial friend has allowed me an hour and twenty minutes in which to deliver this little talk; but I am not going to avail myself of that privilege, although it is my right. The secretary has got me down here as delivering a talk on "Order Versus Chaos," whereas when he asked me to prepare a paper it was on the subject of "Bankruptcy or Insolvency Laws," and that is the title I prefer. Speaking about the different titles to this paper reminds me of a story that a young bishop, recently ordained, told a company of gentlemen. He said that after graduating from the theological school he was called to a parish and prepared his first sermon. You can well imagine that that was something to cause him great thought and require much time, and he put in his best efforts. His good mother had always been his confidant and adviser, and before delivering the sermon he passed the papers to her and asked for her criticism. She read the sermon carefully and returned it to him, saying: "My son, that is a very good sermon, but I think most any text in the Bible would suit it." (Laughter.)

I was not invited to speak on this occasion as an orator but as one who has occupied a credit desk for twenty-seven consecutive years and felt the thrill incident to putting "O. K." on orders expressed in many

figures. I shall not reach conclusions by making deductions from theories but shall give you results based on facts within my knowledge.

The federal constitution originally contained, and still contains, a provision, as follows:

Article I, Sec. 8. "The Congress shall have power . . . to establish . . . uniform laws on the subject of bankruptcies throughout the United States."

Congress first legislated under the above authority in 1800. The act then passed was repealed after being in force three years.

In 1841, Congress again enacted a bankruptcy law which was repealed two years later.

In 1867, Congress enacted for the third time and in turn repealed the law in 1868.

In 1898, Congress enacted the law which is now in force.

The provision of the constitution, as above, gave to Congress jurisdiction of this subject and hence when there is a national bankruptcy law in force supersedes all state bankruptcy or insolvency laws; but when there is no such national law in force it is competent for the states to enact laws upon that subject.

An examination of the first three laws as above disclosed the reason why they should have been repealed—that is, they were grossly imperfect and were permissive of every form of wrongdoing by all classes.

If any one of the laws as above had been properly amended, instead of being repealed, it would have been continued on the statute books for the benefit of all honest men and hence would not have had any successor. If there are those who feel that their rights are not adequately protected under the present law their remedy is by amendment instead of repeal.

The best people of the world have from time immemorial had laws upon the subject of bankruptcy or insolvency. China, prior to the recent revolution, did not have a bankruptcy or insolvency law. Possibly one or two of the minor nations of the earth did not have such laws, but England, Germany, France and the other great countries all have them. When containing the proper provisions and properly administered they are the shield of the honest debtor and the safeguard of the honest creditor; they make credit more secure than it otherwise would be and hence redound to the benefit of the honest debtor and the honest creditor in every respect.

It is impossible to do business either in a small or large way without having laws for the defining and enforcing of the rights of the parties thereto. It ought to be just as easy to secure the enactment of good laws as bad ones.

Bankruptcy laws are based primarily on the Golden Rule and on that principle should our commerce be founded. Dispensers of credit must have confidence in the integrity and ability of their customers and also know that they are protected by the law in case of failure, from whatever cause this is brought about. Without the feeling of security which the law gives, especially as to preferences, the commerce of this great country would be restricted in no small degree and we would soon find our business waning and money going into other channels than that of trade.

To secure the repeal of the national bankruptcy law with the expectation of there being enacted insolvency laws in every state which on the whole would be as effective in the protection of the rights and interests of debtors and creditors as the present national

law, would be certain to result in great disappointment and enormous financial loss. It would be quite as feasible to undertake to improve the commerce of the country by repealing the one interstate commerce law and substituting therefor forty-eight state commerce laws with the result of change in the rights of those engaged in interstate commerce at the crossing of every state line.

In this country we can have one uniform national law, as at present, or in the absence of such a law we can have the different kinds of bankruptcy or insolvency laws covering the same subject in every one of the forty-eight states. Those of you who do business in different states, will think not only of the forty-eight different laws but the amendments which would be made to them by the legislatures from year to year and the multifarious constructions placed upon them by the state courts.

No honest man who desires credit for a legitimate purpose, or who is so situated as to give credit, can reasonably hesitate a moment in deciding whether he desires the one national uniform law or forty-eight diverse state laws.

There is no class of men who are interested in having the many laws in preference to the one law; but it is quite possible that a part, a small part, of one class of men would choose the many rather than the one law and that is a very small part of the legal profession, who look upon business men as their prey and do not consider it the duty and pleasure of the legal profession to keep business men out of difficulties.

Prior to the enactment of the present law the laws of the states were imperfect and in many of them they were so notoriously inadequate that they impaired the credit of the business men of those states and made the extending of credit to them so hazardous that the profits charged upon goods and the rate of interest upon money were abnormally high.

After the repeal of the national bankruptcy law of 1867 all of the states passed bankruptcy or insolvency laws, which, in many, if not all of the states, allowed preferences; this feature of the law was seldom if ever overlooked by merchants making assignments. In some states the debtor could under the law, make an assignment to a friend or a relative, preferring his creditors, classifying them under the assignment laws according to alphabet, A. B. C., etc., the creditor who was fortunate enough to be in class A would sometimes receive from seventy-five cents to one hundred cents on their claim, class B fifty to seventy-five cents and so on down the line to the last preferred creditor who would receive what was left and if only fifteen cents or twenty cents on the dollar he must accept and release the debtor from any further liability. If the creditor were unwilling to accept the settlement and undertook to fight the case he would find that the state courts from the justice of the peace to the supreme court of the state would rule against him and uphold the constitutionality of the state law. There was absolutely no way of getting justice and you must accept these conditions or withdraw your business from those states whose assignment laws were inequitable and contrary to justice.

After the repeal of the last bankruptcy law there was indeed a very serious condition of affairs and it seemed absolutely necessary for the perpetuation of the growth of our commercial enterprises that something be done and at the earliest possible moment. The

men of affairs—merchants and manufacturers and creditors and debtors of all classes—who had given this matter deliberate and conscientious thought, reached the conclusion that it would be absolutely necessary to enact such laws as would *prevent preferences* and be applicable to the entire country, in other words, a federal law.

The result of conditions under state laws was such that a great many large wholesale establishments withdrew their agents from many of the states and refused to accept their business. It is easy to be seen that this action was detrimental to the best interests of both creditors and debtors of all degrees.

The old saying, "It's a poor law that does not work both ways," is not applicable in the cases cited since such state laws only worked one way and that is detrimental to all interests, save one, namely, the dishonest man.

Let me tell you of an incident that bears directly upon what I have just said concerning the withdrawal of representative houses from certain states and the consequent interference with competition, which is accepted as being absolutely necessary to the life of trade. Some time prior to 1898 it was my good fortune to meet a gentleman occupying an official position with one of the largest and best known houses in the United States, one whose business extended into every state in the Union; inasmuch as both of us were directly connected with the credit end of our concerns, conversation naturally drifted to that subject. He asked me if my house did business in a certain state and when I told him it did, he said, "Well, our house has called in all of our representatives and will not extend credit to the extent of one dollar in that state, until it either amend its laws or a national bankruptcy law is enacted, such as will at least give us a fighting chance to collect our accounts. Our last experience in that state was the straw that broke the camel's back and immediately we reached our conclusion to withdraw entirely from the state in question. Through one of our agents we received a nice order for staple and fancy goods amounting to several thousand dollars; all information we could gather was favorable and the order was accepted and in due course shipped. Our regular terms are sixty days with the usual discount privilege. Before the bill reached maturity we received a wire from the debtor saying, 'We have this day made an assignment for the benefit of creditors, you are preferred Class F.' We were not altogether clear as to the meaning of our preference in class F and referred the matter to our attorney, who in answer to our query, 'What do they mean by class F,' said, 'Gentlemen, the only answer I can make is that in all probabilities there is no class G.' Only a small percentage of the debt was paid and investigation disclosed that the class A creditors who were relatives and friends, received one hundred cents on the dollar and the other creditors up near the head of the class also received a fair dividend. Conditions like this existed in many states.

The men dispensing credit prior to 1898 certainly had more than their share of trouble to contend with and with very few exceptions were in favor of a national law for it would at least prevent preferences.

Prior to the enactment of the present uniform law by Congress, as provided in the federal constitution at the time of its adoption, bedlam prevailed in the commercial world in respect to the collection of debts and the obtaining and granting of credit and the transactions had pursuant thereto. Those of this Association who were in business at that time will recall long series of experiences which were harassing to all parties concerned and expensive to the consumers and retailers upon

whom the great burden of expense eventually fell. Not only states but certain localities were picked out to be shunned.

There was one great house in the country which had the reputation of avoiding losses by proceedings, as follows:

If a customer doing a large enough business, to be worth while, became slow in payment it sent a confidential man to the house who, in effect, took charge of it; if after an investigation he concluded that it could not be put on a prompt paying basis he would cause the house to buy the new goods needed by it from nearby wholesalers and manufacturers and would stock the house up good and strong and then would advise it to go into bankruptcy under the state law with the concern he represented as a preferred creditor for its full amount. The attempt to commit an outrage as above under the present law would cause an equitable distribution of the assets of the house in failing circumstances, without preferences, and with the possibility of the serving of a prison term by some of those attempting to perpetrate the fraud.

It took fourteen years of good, conscientious, persistent work on the part of equity loving people of this country to secure the passage of the present bankruptcy law which has now been in force fifteen years.

The man who by his devotion to this subject became the foremost exponent of the cause was Judge Ray L. Torrey, then a member of the St. Louis bar. He was made president of the first national convention of the representatives of the commercial bodies, which was held in Washington in 1884. That convention endorsed a bill which had been drawn by Judge Lowell of Massachusetts; it was afterwards defeated in Congress. Subsequently the Associated Wholesale Grocers of St. Louis called a national convention, which was held in that city and adjourned to meet in Minneapolis. At both of these sessions Judge Torrey presided. A bill which he had drafted was considered by both sessions and was finally adopted in Minneapolis and in his honor named the Torrey Bankruptcy Bill.

The Minneapolis convention confided the work of securing the passage of the Torrey Bankruptcy Bill and the perfection of the national organization to five men, namely, Messrs. Wm. E. Schweppé, Peter Nicholson, Ferdinand W. Risque, Anthony Ittner and John A. Lee, all of St. Louis.

This committee extended the organization to all parts of the country and as perfected it was composed of men who battled for the right and were not actuated by selfish motives; they were fearless and broad-minded and had the best interests of their country at heart and desired to see our commerce founded on the rock of right where it would rest secure from the onslaughts of fraudulent debtors and fraudulent creditors.

Every Credit Men's Association in the country except one endorsed this bill; some of the most prominent of their members were members of the body having the bill directly in charge.

(Judge Torrey was and is my friend.)

The bill was the embodiment of the methods of the doing of business by this Association; it always had our endorsement before enactment and has had our support since it became a law.

The demand of the organization promoting the Torrey bill was not that the bill should be endorsed irrespective of its merits, but that it be considered on its merits and unless found satisfactory, suggestions for its betterment should be made; in other words, the champions

of this measure challenged the opposition and from time to time it was amended by its author to embody the best thought upon the subject, with the result that it became the best and most carefully prepared piece of legislation ever presented to Congress. The fact that amendments to it in the course of fourteen years have been slight bears testimony to the care with which it was prepared and from time to time amended to meet just criticisms which were made to it in the course of the long struggle for its enactment.

After the bill was passed by the house in 1898 and when it was considered in the senate, a substitute known as the Nelson bill was adopted.

The conference committee between the house and senate upon the subject submitted to the two bodies the bill as adopted by the house with nine amendments, not calculated to strengthen but to popularize the measure, and, as so amended, the bill was passed and has since been upon the statute books.

This law does not contain a single provision of the Nelson bill, as that measure was not comprehensive of the subject and was not wisely conceived nor carefully drafted.

The effect of having an equitable and wisely conceived law upon the subject of bankruptcy upon the statute books is of very large importance; as an illustration I cite the fact that at the time of the last panic the banks of the country practically suspended payment but did not close their doors nor quit business. This result was possible because of the stability given to credit by the existence upon the statute books of this law to prevent preferences and to enforce the rules of equity between debtors and creditors. Except for this law there would have been the greatest financial crash ever known to the country.

It is certainly a proud showing for this and other bodies advocating the enactment of the present law and for the individuals who labored industriously for it to realize that the fruits of their labors were so great as they were proved to be in 1907.

It was deemed expedient, in fact, absolutely necessary, by the friends of the Torrey bankruptcy bill to secure the endorsement of the National Association of Credit Men.

Our Association had been organized in 1896 for the purpose of assisting as best it could every effort toward the uplift of business methods. The preamble of the constitution leaves no doubt as to what the founders hoped to accomplish—let me read it to you; although it was adopted seventeen years ago, it is still the guiding star of our Association and as long as we live up to its spirit and letter, just so long will we maintain our high position in the world of commerce as the foremost commercial body in the country. It is as follows:

ARTICLE II.

OBJECTS.

"This Association is organized for protective and educational purposes; to promote and combine the intelligence and influence of members for protection against imposition, injustice and fraud; to agitate and effect changes in the collection and bankruptcy laws of the various states and the United States to the end of the uniformity of statutes and protection of creditors against abuses now prevalent; to bring about mutual improvements, greater similarity and certainty in business customs and usages of trade, and to establish closer ties of business association to the end that the welfare of all may be the more highly conserved."

A careful consideration of this preamble is conclusive evidence that conditions prevailing at that time (1896) were very deplorable regarding commercial matters, and the men who wrote this article of the constitution for the governance of the National Association of Credit Men were practical business men, manufacturers, merchants and financiers—there was no sentiment nor theory as to their conclusions—it was in reality a "condition that confronted them." It seemed absolutely necessary to the life of the commercial industries of the country that something be done to discourage fraud in mercantile transactions and the adoption of such laws as would provide for the punishment of the guilty; such a law, it was thought, would have, at least, a deterrent effect on that class who are evil at heart but who obey the law from the sense of fear rather than principle. No law will make a man honest, yet it will often, from the fear of punishment, prevent a criminal act.

The predominant idea in the minds of the founders of the National Association of Credit Men was to lessen losses, which were then very large, through dishonest failures and practices, and to secure to both creditors and debtors their rights.

In June, 1897, at the second annual convention of the National Association of Credit Men, held in Kansas City, it was deemed wise and expedient to discuss bankruptcy or insolvency laws and adopt resolutions indicating our desire for such legislation.

The members of the St. Louis delegation were very anxious to have the Torrey Bankruptcy Bill endorsed by the National Association and went to the convention prepared to do their full duty and they did it as the results showed. We had Judge Torrey with us, as we realized we would find some opposition. We wanted to be prepared to answer all questions from the other side and give them a full measure of satisfaction; if there was a question asked that was not answered promptly and fully I do not recall it. I feel safe in saying the opposition was, in many instances, convinced against its will as our arguments were too strong for them. One of the strongest men on the negative side of the question was our friend, the late lamented John Field. He came on from Philadelphia to make a speech at the convention and when he found that the bankruptcy bill was to be discussed he asked permission of the chairman to be allowed to make answer to Judge Torrey.

Those of you who remember Mr. Field know that he was a strong man well versed in matters commercial, a convincing talker and one who had the courage of his convictions.

The debate between Mr. Field and Judge Torrey was spirited and every possible point *pro* and *con* was covered. Notwithstanding the excitement and feeling engendered there were no personalities indulged in, as these men were too big to do or say anything to destroy their equanimity, which made the debate all the more impressive and interesting.

After the argument was finished chaos reigned; the members who were on the negative side of the question were quite well posted on parliamentary law, and used all of their knowledge and noise to prevent the adoption of the resolution favoring the Torrey bankruptcy measure; the convention was at fever heat and the president, H. W. Preston finding it impossible to maintain order vacated the chair and the vice-president of the Association, our late friend Michael E. Bannin, of New York, assumed the duties of the chairman but he was succeeded by W. A. Prendergast before order was restored. The resolution favoring the Torrey bill was carried by a safe majority

and the National Association of Credit Men was on record and the friends of the bill had gained a well earned and decisive victory.

The action of this body placed it in line of the best thought in the country as that measure was endorsed by large and small commercial bodies in every state of the Union.

The only feature that cast a gloom on the memorable event was the withdrawal from the national body of one of the local associations which opposed bankruptcy legislation, which association, I am glad to say, came back into the fold a few years later, probably after it had a little experience under the act of 1898.

Since the National Association made its declaration regarding bankruptcy legislation it has consistently supported the measure, and has been a large factor in securing desirable amendments—its representatives having appeared before the congressional committee in the presentation of facts and arguments which left no doubt in the mind of any member of the committee as to the position held by the National Association of Credit Men regarding this law.

The success of our past efforts is a matter of history and we are still at work and hope to add still further amendments to the original act, so that in course of time we shall have a statute that will meet all the requirements of both the debtor and creditor classes.

When one stops to consider the very unsatisfactory conditions that existed prior to the act of 1898 there is no doubt in his mind as to the value of the present law.

Under the old regime the credit men found a different code in every state, most of them inequitable. I had almost said iniquitous, but I am glad I did not, as the past is only a matter of history and should not be brought up for discussion if it is going to interfere in any way with the peace of mind the credit man enjoys under present conditions.

The credit men who were passing on orders during the old regime, that is, prior to the enactment of the bankruptcy law of 1898, and whose recollection of those distressing times I am sure is as vivid as my own, will agree with me when I say that one experience of this kind leaves an impression on one's memory like the blood stain on Lady Macbeth's hands; it will not out. I sincerely hope that this great Association will stand firm to its original declaration, and use all the influence it may possess toward the continuance and betterment by amendment of the bankruptcy act now among the statutes.

To repeal the present law and return to the chaotic, diverse bankruptcy or insolvency laws would be to move backward and invite criticism from the countries of the world.

It was my privilege to serve as a member of the first standing committee on bankruptcy law and legislation appointed by President Fessenden in 1906. We made our report in 1907 at the Chicago convention, offering a set of resolutions which, to my mind, are applicable to the present time, and, asking your further indulgence, I am going to read them. They are as follows:

"WHEREAS, The act commonly known as the bankruptcy act has now been in force for the period of nearly nine years, during which time this Association has watched with great care its operation and administration throughout the entire country, and through its officers has made careful study of the decisions of the courts and the actions of the referee in its application and of the benefit accruing therefrom, and

"WHEREAS, After such careful study, and a comparison of the present conditions in the commercial world with those formerly existing under similar laws, it is the sense of the Association that the present law, while not entirely perfect, is of great advantage to the business world generally, now be it

"Resolved, That this Association does unqualifiedly signify its approval of the present bankruptcy act as the best law yet obtained; and be it further

"Resolved, That this Association pledges its influence and support to any movement that may be undertaken by any body, commercial or otherwise, for the improvement of said law by amendment or for the improvement of the administration thereof; and be it further

"Resolved, That the officers of this Association be authorized and empowered, for and on behalf of the Association, to combat any movement that may be undertaken for the repeal or the abolition of the present bankruptcy act."

The convention minutes show that these resolutions were unanimously carried, and this incident is now a matter of history.

In further evidence of how these resolutions were regarded by the convention, a motion was made by S. F. Miller, of Baltimore, not a member of the committee, by the way, asking that copies of this report and resolutions be printed and one forwarded to each senator and congressman of the United States. That motion was unanimously carried.

The opposition to the enactment of the Torrey bankruptcy bill was mainly conducted by a few great houses with extensive trade relations in many of the states. They had large and perfectly organized legal departments and through them secured preferences by levying attachments, and in all cases sought to take advantage of their fellow creditors and, irrespective of the effect upon the debtor, sought to secure the collection of the amounts due them.

Sensible men do not need to be told that certainty of being able to collect for amounts due is the basis of extending credit, and that uncertainty with regard to collections curtails credit.

There never was a truer saying than "Honesty is the best policy." I think the stupidest man on earth was the legislator who thought that by passing bankruptcy or insolvency laws permissive of fraud he was doing the people service. Let me illustrate. It is fundamental to the honest business man that he must sell his goods for what he paid for them plus his cost of doing business and a reasonable profit. It follows, as night follows day, that if in a given state, laws are permissive of wrong-doing the conducting of business in that state becomes, to that extent, hazardous and he must, therefore, add the cost of doing a hazardous business to the prices of his goods. Upon whom, therefore, does the financial effect of the bad law fall? Not upon the creditor, because he fixes the price of his goods and adds therein his anticipated loss and collects them in advance. It, therefore, must be the debtor and eventually the consumers who pay for the folly of the legislator who assists in the enactment of the bad law.

Let me suppose a case in which the enactment of laws permissive of wrong-doing actually benefits dishonest people. What is the proportion between honest and dishonest men? My estimate is that ninety-five per centum of the men engaged in business are absolutely honest and that the rascals do not exceed the other five per centum. It therefore follows that the unscrupulous legislator who imagines in pass-

ing bad laws he is acting for the benefit of the people is only serving approximately five per centum of them and is placing additional burdens on all of the rest for the benefit of the five per centum.

I feel quite sure that the membership now in convention assembled, as well as at large, hold firmly to their former views as to the desirability of bankruptcy legislation and in this show their loyalty to our Association and its traditions.

I am convinced beyond the preadventure of a doubt that the United States of America will never again be without a bankruptcy law as one of its statutes. We are a world power in every sense of the word and especially in commercial and financial lines. We are looked up to by the smaller countries as being the highest type of everything that goes to make up a great nation and above all things must be worthy of the confidence of all people throughout the world. To sustain and merit to the highest degree a continuance of the esteem and confidence of all we must be governed by laws, that are based upon truth and equity, giving every man an equal chance which is his right under our national constitution; at the same time using all of our power and influence to punish those who transgress our laws. I thank you for your kindness. (Long continued applause.)

E. F. Sheffey, Lynchburg—I would like to offer this resolution:

Resolved, That this convention has heard with profound pleasure the very able and illuminating address on "Bankruptcy Versus Insolvency" made by our friend from St. Louis, and desiring that others who are not here may have the benefit of this discussion and paper, instruct the secretary-treasurer of the National Association of Credit Men to have printed a sufficient number of copies to supply all possible demand therefor."

And let me say that it has been said by a great man, that the genius of enacting laws is to enact laws that will make it easy to do right and hard to do wrong. There may not be an insidious lobby in Washington undertaking to repeal the national bankruptcy law, but a great man once said that eternal vigilance was the price of liberty. I believe that this bankruptcy law in the commercial world is as great a help to us as fire insurance. The credit man can retire to rest at night under the protection of these twin brothers, fire insurance and the national bankruptcy law, draw the drapery of his couch about him and lie down to pleasant dreams, so long as they are maintained; but if they are destroyed you will have many a sleepless night. Equality and fraternity are the watchwords of this Association. The bankruptcy law tends to that end; and we must educate and edicate if we are to continue the law; and this paper will educate our people.

Motion made to adopt Mr. Sheffey's resolution was then duly seconded.

Mr. Sheffey—This address is important enough for this convention to say "print it."

Motion unanimously carried adopting the resolution.

President Salisbury—My recollection carries me back to that meeting in Kansas City, referred to by Mr. Barclay, and in order that you may feel comfortable and feel how much you can enjoy our sessions here, let me tell you that the temperature on the day that this great bankruptcy question was being considered was nearer 100 than it has been at any time since we opened our sessions.

We will next hear the report of special committees.

In the absence of M. G. Kellogg, chairman of the Committee on Uniform Exemption Laws, the report and resolutions offered will be read by the secretary.

Secretary Tregoe—I trust that you will all read this report carefully, because I believe it suggests something very pertinent and very helpful.

Report of Committee on Uniform State Exemption Laws

To the Officers and Members of the National Association of Credit Men.

Your Committee on Uniform State Exemptions desires to record its conviction that the title of the committee does not properly indicate the direction of its work, and it will therefore be suggested in an appropriate resolution that its title be changed to read "Special Committee on the Amendment of State Exemption Laws."

Your committee fully agrees with the conclusions presented in the annual report of the committee of last year that there is no promise through any reasonable or perhaps possible effort for immediately bringing the exemption laws of the various states into unanimity. A careful study of the diverging, and in some directions, antiquated exemption laws of the states will support this conclusion, and in the judgment of your committee there is more promise for effectual work in this department if effort is made to amend unfair and unreasonable exemption laws, than if attention is directed to securing uniformity.

Your committee sincerely believes that the time is ripe for strengthening the business conscience against unfair and unreasonable exemption laws such as exist in the constitution or statutes of some of the states, imposing as they do burdens which are keenly felt in the administration of insolvent and bankrupt estates.

Not only is the unfairness of these laws felt at the period of insolvency and bankruptcy administration, but they are frequently availed of by unprincipled debtors whose stocks of merchandise are exempt, and who shield themselves under a defense of the state exemptions against the payment of honestly contracted debts, either upon direct motion or through the intermediary of an attorney. Such results were not of course anticipated when exemptions were written into the law of our states. They were primarily intended as a defense of the weak, and our conclusions have every warrant that a campaign for the awakening of a strong conscience against unreasonable and unfair exemption laws should be promoted by the National Association of Credit Men through its Special Committee on the Amendment of State Exemption Laws.

A campaign such as we contemplate will be recognized as a large task, one that will require some money and patient, persistent endeavor for in some sections of our country there has been instilled into the minds of the people the notion that the exemption laws are a part of the human heritage, and that any effort to invade them is a transgression of personal rights. This point of view largely dominates the uncommercial classes, but it is a point of view that must be considered when promoting a campaign of exemption reform.

Your committee recommends that in entering upon this work those states be selected which are most unfair and unreasonable in their exemptions, and there must also be taken into consideration this fact, that exemption allowances are in some states a constitutional matter, and change can be brought about only through a constitutional amendment.

We consider it not necessary to elaborate upon these arguments. It is our confidence that you who are in attendance upon this convention will appreciate the gravity of the situation in some of the states, the amount of dishonesty shielded by over liberal exemption laws, and that the situation calls for aggressive reform work.

Your committee begs to tender the following resolutions:

I

"Resolved, That hereafter the special committee authorized to study and seek the reform of state exemption laws shall be designated as the Special Committee on the Amendment of State Exemption Laws.

II

"Resolved, That the National Association of Credit Men, through its Special Committee on the Amendment of State Exemption Laws, be urged to undertake a campaign for the reform of exemption laws in those states where they are most unfair and unreasonable.

III

"Resolved, That in the promotion of such reform the members of the National Association of Credit Men in those states where amendments will first be sought, be petitioned for support and a strong sentiment locally developed for the substitution of reason and fairness for unreason and unfairness in the exemption statutes.

Respectfully submitted,

M. C. KELLOGG, *Chairman*.

Adolph Landauer, of Milwaukee—I move the adoption of the resolutions.

Seconded by F. C. Wasserman, of Portland, Ore.

Unanimously carried.

President Salisbury—The next special committee is that on Commercial Ethics, by Charles Biggs, chairman, New York. (Great applause.)

Mr. Biggs—At the convention held a year ago in Boston, an address was read by Julius Henry Cohen, chairman of a committee created by the National Law League, for the purpose of formulating a code of ethics to govern commercial lawyers, which was to be acted upon at the July meeting of last year, at Colorado Springs. Mr. Cohen read his address and as an outcome of that address a resolution was passed for the creation of a committee of this Association for the purpose of formulating a code of commercial ethics, nothing of the kind having heretofore been attempted or being of record. Of course, right has been right and wrong has been wrong from the beginning of the world until the present time. We at any rate are governed by the commandments handed down on Mt. Sinai to Moses, and if those commandments were lived up to absolutely there would be no necessity for talking about any commercial ethics; but as a matter of cold fact we know very well, all of us, what is right in business or otherwise, but customs and careless methods grow into use, and we become indifferent somewhat to the rights of our neighbors. Many instances have been given by speakers before this audience, touching upon what might be called the little matters that are neglected, taking advan-

tage in the settlement of an account, making a remittance in which 1 per cent. or a quarter of a per cent. is taken off, which the man who does so knows is unjust; but he thinks it will go and other people have done it, and it is not very much upon his conscience in doing it. There are numbers of matters of that kind, such as the acceptance of a commission from an attorney employed. I might spend some time in enumerating the number of practices that have gradually grown up and are winked at. Cancellations that are unjust are often made. We must set our faces against those things. We are not going to make any change in the formulation of commercial ethics. I am not of the mind of the gentleman who spoke yesterday, that we were going to make what was wrong right. We have fallen sometimes into errors, and it is well to bring us down to the cold facts of what is not to be done. The committee feels that the subject is an important one; that it is not an easy matter to write out a code of ethics to submit to this Association and expect the Association to be satisfied with it. I may say that the committee has been deeply indebted to Mr. Tregoe, for some members of the committee have not been able to take part in the correspondence to the extent that ought to have been done; but every association has been corresponded with, and the outcome of it is the formulation of four propositions looking towards the creation of a code of commercial ethics; and I will now read the brief report of the committee, if you will give me your attention.

Report of Committee on Commercial Ethics

To the Officers and Members of the National Association of Credit Men.

Your Committee on Commercial Ethics has had to feel its way this year, for there were no guide posts to direct it, merely the presence of situations in trading relations which ought to be corrected, situations such as all feel will be corrected when business men recognize the compensation attached to the observance of honorable and fair practices in the conduct of their business.

Your committee was unable even faintly to calculate the depth of impression made upon commercial life through its efforts, but in the enunciation of certain primary and necessary principles and the inspiration they gave to speakers at meetings, we are led to believe that something was accomplished, and a pioneer movement set on foot for a concerted and much needed awakening of the "commercial conscience."

Your committee is under many obligations to Julius Henry Cohen, Esq., of New York, for assistance in defining, preparing and presenting the work of the committee.

Your committee prepared and presented through issues of the Bulletin, four "Canons of Commercial Ethics," as follows:

First: It is improper for a business man to participate with a lawyer in the doing of an act that would be improper and unprofessional for the lawyer to do.

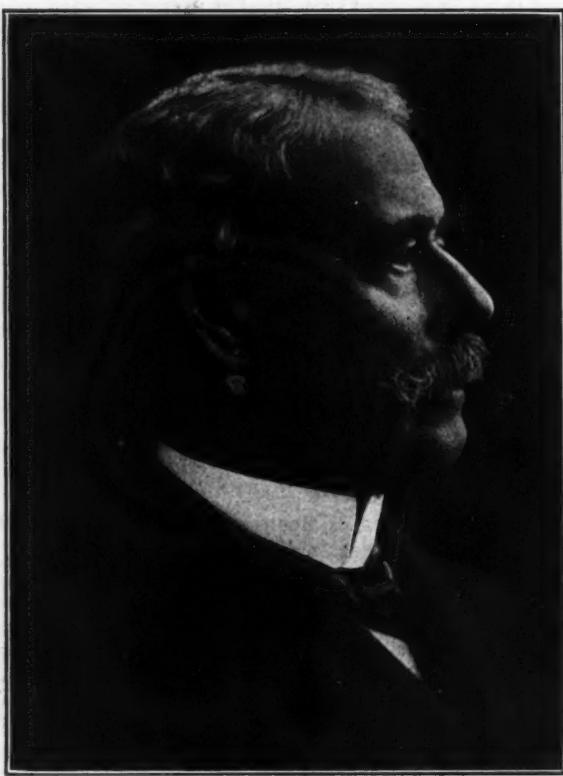
Second: It undermines the integrity of business for business men to support lawyers who indulge in unprofessional practices. The lawyer who will do wrong things for one business man injures all business men. He not only injures his profession, but he is a menace to the business community.

Third: To punish and expose the guilty is one thing; to help the unfortunate but innocent debtor to rise is another; but both duties

are equally important, for both duties make for a higher moral standard of action on the part of business men.

Fourth: In times of trouble the unfortunate business man has the right to appeal to his fellow business men for advice and assistance. Selfish interests must be subordinated in such cases, and all must give their co-operation and help. If the debtor's assets are to be administered, all creditors must join in co-operating to that end. To fail in such a case is to fall below the best standards of commercial and association ethics.

These canons directly touch certain existing evils in the relationships of business men with their attorneys and one another. They are merely



CHARLES BIGGS
New York, N. Y.
Chairman, Committee on Commercial Ethics

an educational propaganda, but our Association can well afford to keep them prominently before the membership and supplement them as succeeding committees may determine.

Our best efforts as an Association are to be exerted to win business men to a loyalty of higher ideals in their business relationships. This is fundamental.

Believing its work should be continued, your committee begs to offer the following resolutions:

I

"Resolved, By the National Association of Credit Men that the effort to awaken a sound commercial conscience through a definite program such as the Committee on Commercial Ethics stands for, will tend to save much of the existing waste in business and lead business men into more honorable and straightforward relationships with their attorneys and with one another.

II

"Resolved, That the Special Committee on Commercial Ethics be continued."

Respectfully submitted,

FRANK M. GETTYS,
GEORGE R. BARCLAY,
J. L. McWHORTER,
R. W. HIGGINS,
CHAS. BIGGS, *Chairman.*

Mr. Biggs—I move the adoption of the report and resolutions as read. Seconded by J. H. Kentnor, of St. Louis.

Unanimously adopted.

President Salisbury—The report of the Committee on Credit Education and Management will be received, F. J. Smith, chairman, Buffalo, N. Y.

Mr. Smith—At the convention in Boston a resolution was passed for the appointment of a special Committee on Credit Education and Management, and the idea, in my estimation, was to give the subject thought rather than action. In conferring with the members of the committee they were induced to put into operation lecture courses under the auspices of the local Young Men's Christian Association. Some of them conducted these courses under their own management. The results have been very productive. The first difficulty I find with which they had to contend was, a lack of books pertaining directly to the subject of credits. Many of the libraries did not have on file those few books that have been written. At Buffalo I found that there were only two books in our main library on our subject. In taking the matter up the librarian very kindly consented to put on file all books pertaining to the subject if I would give them the names of the writers and the subjects; and through my efforts there were placed on file a few additional books. If there is no objection I will read the report as compiled.

Report of Special Committee on Credit Education and Management

To the Officers and Members of the National Association of Credit Men.

Your Special Committee on Credit Education and Management was one of the new committees authorized by the Boston convention and hence had no compass to guide its work in directing the educational efforts of the association.

Prior to the Boston convention it had been found that these classes under the auspices jointly of the affiliated branches of the National

Association of Credit Men and local Young Men's Christian Associations were greatly appreciated by those who took advantage of them. Consequently, it was felt that other local associations of credit men should be encouraged to promote similar classes.

Your committee met with a ready response to its suggestion to establish these courses in nearly or quite all of the larger cities. Members of the association have been kept in touch with the movement through the BULLETIN and all reports reaching your committee indicate that the classes were well attended, that the students appreciated their privileges, that the education received was interesting and tended to bring about more accurate and conscientious credit granting.

Your committee has reached the conclusion that there is a real demand for more systematic work in the promulgation of credit education, that we should now take steps to pass into a more advanced character of study, what might properly be termed a secondary grade. By this we do not mean to indicate that the continuance of credit classes under the supervision of the Young Men's Christian Associations should not be encouraged; rather we would wish to have more classes organized during the coming year. It is apparent that the credit student is ripe for more scientific study and should be put in a position to undertake it under the supervision of the National Association of Credit Men and its local branches.

One of the disadvantages in scientific credit education is the lack of credit literature. There is practically no modern text-book on credits. The BULLETIN of the National Association of Credit Men is perhaps the most educative journal in its presentation of credits and their management. It seems to your committee to be necessary for the National Association to consider seriously the development of more technical literature upon credits and to give to this work its encouragement.

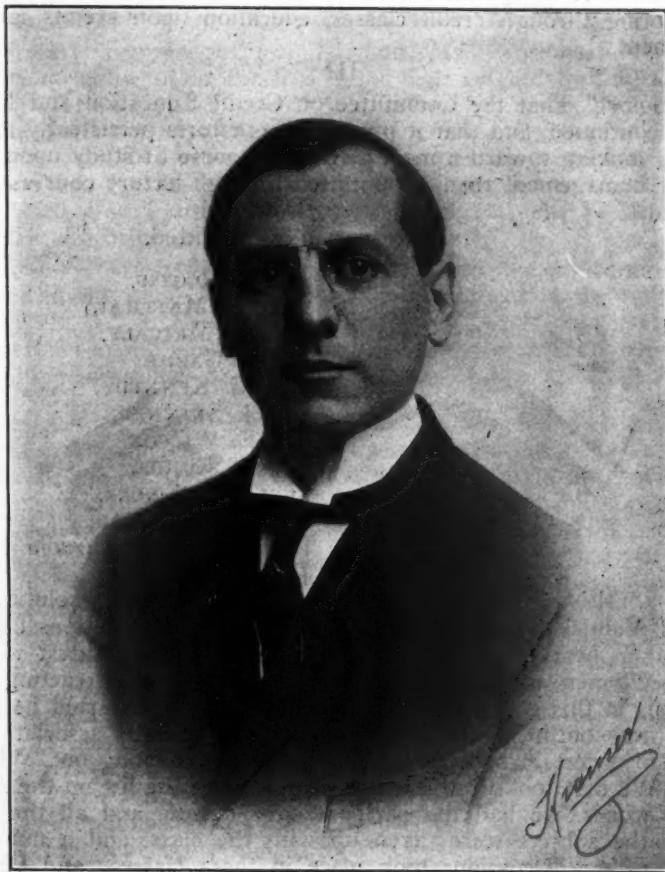
We realize the difficulties of promulgating a secondary grade in credit education, but the work must begin and no opportunity should be lost in presenting the need of this new departure to our local associations and in soliciting from them their co-operation to the furtherance of the work.

Tentatively, your committee believes that classes should be organized under the immediate direction of local associations, with definite courses of study, and that one lecturer or instructor be looked to for a thorough course of expositions upon his subject instead of having him enunciate in one lecture the general principles upon which he bases his work as a result of long experience. One of the troubles with the courses as conducted in connection with educational departments of Young Mens' Christian Associations is that the work is done merely through lectures, many containing advanced ideas which are not thoroughly comprehended by the young student. The course suggested would embrace the theory of economics, money, credit and its functions, and allied subjects which will give the student a clear idea of the natural laws that underlie and control credits.

Your committee does not believe in presenting such an advanced suggestion that it will seem to be proposing a thought that anticipates the future too much. Not only will this education be of value to the individual student but it will create a demand for commercial education which all the youth of the nation should have if we are to be saved from much of the discord brought about by hostility to honest commerce —hostility which comes from unsound thinking on commercial subjects.

It may be feasible to organize in some of the local associations,

especially those having large numbers, an auxiliary class for the younger credit men for the definite purpose of debate and quiz as well as study, for it frequently occurs in public assemblages where open discussion is allowed that the younger student is fearful of giving voice to his thought in the presence of the older and more experienced men; an auxiliary of the younger men would allow freedom of expression and would cultivate a fraternity which would become increasingly valuable as the men fill more and more responsible positions.



F. J. SMITH
George Irish Paper Co., Buffalo, N. Y.
Chairman, Committee on Credit Education and Management

You can appreciate that without compass or chart to guide your committee and with no precedents upon which to support arguments, these recommendations are created merely for your careful consideration and are submitted to secure your earnest and thoughtful assistance. And now your committee begs to offer the following resolutions:

I

"Resolved, That these lecture courses arranged by local Credit Men's Associations in co-operation with local Young Men's Christian Associa-

tions, be accorded every encouragement, and that the help of the Committee on Credit Education and Management be extended to all associations which contemplate organizing such classes.

II

"Resolved, That the sincere thanks of the National Association of Credit Men be extended to those Young Men's Christian Associations throughout the country which have manifested an interest in credit education, and have co-operated with our local Associations of Credit Men in promoting through credit classes, education upon credits and their management.

III

"Resolved, That the Committee on Credit Education and Management be continued, and that it put forth its efforts persistently to creating plans looking toward a more advanced course of study upon credits and their management than is permitted through lecture courses as now conducted."

Respectfully submitted,

S. C. ROGERS,
W. H. MATTHAI,
H. B. METCALF,
A. J. GAEHR,
W. C. KENNEDY,
A. J. SKINNER,
E. E. WILCOX
LOUIS ROHDE,
CHARLES KNORR,
C. L. WHICHARD,
F. J. SMITH, *Chairman.*

Mr. Smith—I move the adoption of the report and resolutions.

C. E. Vandel, Kansas City—In seconding these resolutions I will say that I am in hearty accord with them. One of the greatest works in which credit men are engaged at the present time is instructing future generations in this great science. When Kansas City started its course, a course was outlined, and a credit man of the local association was assigned to a certain subject, and our text was Earling on "Whom to Trust." We first took up the text and went over the list on the subject. In other words, we had the parliamentary debate, and all the salient points in the subject were taken up with the class, and a number of very interesting discussions took place in these classes; and after the classes a lecture was delivered, and at the end of the lecture further questions were asked of the lecturer, and great good was accomplished in these classes and can be accomplished throughout the large cities of the United States, wherever these classes are held.

H. C. Workmaster, Pittsburgh—Regarding the first resolution, it would be inferred that the burden is placed on the Y. M. C. A. Do you realize that it is the only committee where the burden is placed elsewhere than in our Association? I call your attention to the fact that great work can be done by debating the questions in the credit man's sphere, and not merely by these talks which are suggested in this resolution; and therefore I offer the following amendment:

"Resolved, That the National Association of Credit Men, through the Committee on Credit Education and Management, earnestly urge

the organization and promotion of educational classes of younger credit men, for the purposes of discussion, debate and lectures; and that it also afford every encouragement to local Y. M. C. A.'s in promoting similar work undertaken by them in organizing and operating such classes."

Kindly give one thought to the boys at home who are acting in the capacity of the watch dogs of our treasury in our absence, and give them the benefit. I earnestly urge the adoption of the amendment to the resolution as offered.

Seconded.

Secretary Tregoe—As I understand, Mr. Workmaster offers this resolution in substitution for Resolution I as offered by the committee.

Mr. Workmaster—Yes.

(The secretary read the resolution.)

A. N. Ritz, Milwaukee—I move an amendment to this resolution that the words "any other association" be substituted for Y. M. C. A.

E. F. Sheffey, Lynchburg—I move that it read "the Y. M. C. A. and any other like organizations," as a substitute.

Secretary Tregoe—I call the attention of the convention to the reference in the report to the young credit student in the trade classes of the Y. M. C. A. The work of the Y. M. C. A., however, has not been confined to the young credit student, but any one who desires education along these lines may join the classes of the Y. M. C. A.

President Salisbury—An amendment is offered that there be substituted for the name Y. M. C. A. "any other association."

Mr. Ritz—The object I had was that we should not go on record as approving any one particular association to the exclusion of others. There are many in the same business of educating credit men, and it would be unfair to single out any one association for that purpose.

J. S. Stewart, Kansas City—I wish to second the amendment to the amendment.

Mr. Sheffey—I offered the substitute for the whole of that part of the amendment to the effect that it be so amended as to read "the Y. M. C. A. and any other like organizations." The "Y. M. C. A." have been put in by the committee because, as I understand, that is the only organization which has done this work systematically up to date. However, I think others should not be excluded, and therefore I made the substitute which I did.

Mr. Ritz—The object of my amendment was not to exclude educational institutions giving similar instruction.

F. H. McAdow, Chicago—I sincerely hope this convention will not go on record by passing anything unfriendly to the Young Men's Christian Associations of this country. (Great applause.) They have taken the initiative, and we who have worked with them could have accomplished very little if we had not had their assistance in our home cities. I would be glad to see Mr. Ritz's amendment carried if he changes it so that he simply adds "and other associations." I say let us not discourage the men who are working with us so well at the present time. (Great applause.)

Mr. Workmaster—The reason I offered the name Young Men's Christian Association was because I made a little investigation among the members and learned that in a number of places they were waiting for the Y. M. C. A. to take up the work, which otherwise would be started by the local credit associations.

Secretary Tregoe—Permit me to read Resolution No. I as given by the committee again. It is as follows:

I

"Resolved, That these lecture courses arranged by local Credit Men's Associations in co-operation with local Young Men's Christian Associations be accorded every encouragement, and that the help of the Committee on Credit Education and Management be extended to all associations which contemplate organizing such classes."

I think the resolution covers the ground.

Mr. Ritz—I withdraw my motion.

Mr. Sheffey—I withdraw my amendment.

Mr. Smith—The idea was originally conceived by the Young Men's Christian Association, in my estimation, and the local associations only encouraged that work. This resolution does not state that we go on record as having the Young Men's Christian Association throughout the United States inaugurate lecture courses or courses on credit education. It is up to our local credit associations to conduct those courses according to their own dictates. If they desire to conduct a course of lectures in their own association, that is their own affair. If they want to conduct it through the Y. M. C. A., they may do that also. We have received great encouragement and assistance from the local Young Men's Christian Associations. In fact, it is a question in my mind whether these lecture courses would have been carried on to as great an extent as they have been if it had not been for the assistance that we received from the Young Men's Christian Association.

Secretary Tregoe—The resolution says "all associations."

(Previous question called for.)

President Salisbury—That is on the amendment offered by Mr. Workmaster, which is moved and seconded.

T. J. Bartlette, New Orleans—Does not the previous question take precedence over any amendment?

President Salisbury—Not to a motion made and seconded.

Mr. Stewart—I wish to state that when I seconded the motion to the amendment I did so thinking it was not proper for the convention to go on record as upholding any one organization to the exclusion of others. I thought that I seconded a motion that added other institutions besides the Y. M. C. A.

Mr. Sheffey—I think if the brother from Pittsburgh will incorporate the idea lecture courses, debates, etc., it would enlarge the scope of the resolution.

Mr. Workmaster—Lectures, debates and discussions—other than lectures themselves exclusively—where the young men get an opportunity to debate around the table the questions which come up before them and not simply listen to an instructor.

Secretary Tregoe—I will read Resolution III, as given by the committee. It is as follows:

"Resolved, That the Committee on Credit Education and Management be continued, and that it put forth its efforts persistently in creating plans looking toward a more advanced course of study upon credits and their management than is permitted through lecture courses as now conducted."

That covers the whole thing.

President Salisbury—The question is upon the adoption of the amendment.

(The question was then put and lost by an almost unanimous vote.)

President Salisbury—The question is now upon the resolutions as offered by the committee.

The motion to adopt the report of the committee and the resolutions offered by the committee was then unanimously carried, and the resolutions and report unanimously adopted.

President Salisbury—We shall next hear the report of the Committee on Foreign Credits, E. M. Dill, chairman.

Report of the Special Committee on Foreign Credits

To the Officers and Members of the National Association of Credit Men.

The business men of the United States are probably finding more satisfaction in the phenomenal growth, during the last decade, of our export trade in goods partly or wholly manufactured, than in any other one factor, for this means fuller employment of our labor and an established outlet for our goods which becomes exceedingly important during years of slack business at home.

Again and again, the National office was asked to help members in discovering foreign fields where goods of their manufacture might safely find a market. Information regarding the stability of society, the trading disposition and traditions of a people, and their business customs was sought. This was the reason the Association felt it incumbent on it to assist members in the department of foreign commerce and hence the appointment of the Foreign Credits Committee at the Boston convention.

The committee's work naturally has been carried on largely through the National office from which point, in behalf of members, investigations both general and specific have been made reaching into many countries with the result that recommendations and advice of distinct value have been given.

The American Chambers of Commerce at Paris and Berlin have extended courtesies to the Association by pointing out sources of trustworthy information. The rules and regulations covering consular activities have been considered with the result that American consuls in several cases have been drawn upon for helpful service.

While your committee takes no special credit for the fact, it is true that the work falling under its department has made very considerable progress during this first year and will continue to make progress in proportion as its resources are called into use by the members.

As an Association, we should feel deeply interested in taking part in the great exchange of commodities among the nations which is rapidly placing the United States at the front as an exporter, not alone of products of the soil but of products of our factories as well. Let your committee continue to build up its foreign service at the National office simply by having the members make it one of their sources of information.

Incidentally, the committee has been able this year to issue warnings against several parties who were mailing orders for samples to merchants and manufacturers all over the country from foreign post offices. For some reason—probably the difficulty of getting information—our credit men fall more easily before a sample order which reaches them under a foreign stamp than before one coming from a home point.

The thought of making a foreign connection appeals to their imagination and so the order is checked out without a stroke of investigation. This, of course, is absolutely wrong. The rule in investigations should be that their intensity be in proportion to the distance between shipping and receiving points and the committee urges against accepting unquestioningly sample orders purporting to come from foreign concerns as strenuously as the Investigation and Prosecution Committee has urged against the acceptance unquestioningly of sample orders from domestic houses.



E. M. DILL
Berry Bros., Ltd., Detroit, Mich.
Chairman, Committee on Foreign Credits

In conclusion the committee offers the following resolutions:

I

Resolved, That the action of the Boston convention in authorizing the Committee on Foreign Credits be approved and the committee continued as one of the special committees of this organization;

II

Resolved, That the members of this Association be urged by this convention to assist in expanding the foreign credits department of the

Association by making use of its facilities and by extending to it suggestions growing out of their experience in seeking foreign outlets for their products."

Respectfully submitted,

W. F. H. KOELSCH,
LOUIS S. GOLDSTEIN,
H. H. MERRICK,
A. G. RUMPF,
J. H. ROY,
E. M. DILL, *Chairman.*

Mr. Dill—I move the adoption of the resolutions and report as read. Seconded by F. C. Wasserman, of Portland.

Motion unanimously carried and report and resolutions unanimously adopted.

President Salisbury—The next in order is the report of the Special Committee on Municipal Credits. The chairman is not here. We expect the members will read all these reports, and in this instance the secretary will read the resolutions offered by the committee.

Secretary Trgeoe—May I say, with the privilege of the convention, that the work done by this committee was of an highly intelligent character. Mr. Foulkes devoted a great deal of thought to it and the data compiled by his committee has been asked for by the municipal departments. I certainly recommend that the report be adopted.

Report of Committee on Municipal Credits

To the Officers and Members of the National Association of Credit Men.

In the closing hours of the convention of last year a number of important matters were presented by the Committee on Resolutions. Among the resolutions offered by that committee and adopted was the following:

"WHEREAS, The increase of business transactions with government and municipalities at home and abroad has developed a class of credit risks difficult of analyzation; therefore be it

"Resolved, That the Board of Directors appoint special committees, each consisting of not less than five members, to investigate such domestic and foreign credits, and to report the results of their investigations to the Board of Directors and to the convention of 1913."

It seemed wise to your Board of Directors to appoint two committees under this resolution, one to study the question of foreign credits and another to study municipal credits. It is for the latter committee, namely that on municipal credits, that we report.

Since the wording of the resolution was such as to leave in the minds of the members of the committee some doubt as to just what phase of municipal credits should be the subject of investigation, the first thing your chairman sought to do was to determine through correspondence, how we might best serve the membership at large through our labors and most nearly accomplish the design of those with whom the idea originated.

It was found that in the minds of most men, the term "Municipal Credits" was at once associated with the thought of city or municipal

bonds or securities and the general credit of the corporate body as related to its bonded or floating indebtedness.

However, since our membership quite exclusively represents business organizations which are manufacturers and sellers of merchandise, and not dealers in securities, it was readily determined that the study of municipal credits by your committee should be confined to that phase of the question which would enable us to give to our membership certain data which it was hoped might serve to enlarge the fund of general information in regard to the handling of accounts or claims for goods, wares and merchandise sold to the city at large, or to any of its subsidiaries having purchasing power, or to corrective educational or charitable institutions, over which the city exercises control.

Your committee had no precedents to serve as a guide in its investigations and was therefore compelled to originate a plan of action. It was at once obvious that it was impossible to investigate in any comprehensive way by personal interview and equally obvious that only a comparatively few cities in the United States could be, because of time and labor involved, solicited for information even by mail.

After a considerable study of the subject, a letter was drafted containing ten questions designed to elicit the facts that we were in search of and explaining the origin and object of the investigation.

It was decided that these letters be sent to two representative cities in each state and with the prompt and cordial co-operation of Secretary Tregoe, the letters were despatched.

For the most part the responses were prompt and in some cases of such a nature as to indicate a genuine desire to co-operate to the end that some at least, if not all, of the difficulties and misunderstandings quite generally present in transactions with municipalities might be removed.

An effort has been made to digest and analyze the mass of data received and how well and to what purpose this has been done, and of what value our findings may be, we leave to you.

It is impossible within the compass of this report to review in detail the data obtained from each city, or from any single city. Furthermore, even if time permitted, it would seem to the committee that it would be a violation of the general conditions under which the data was furnished if we should make public use of it since assurances were given that it would be regarded as confidential.

For your better information, however, we deem it permissible and desirable to give in detail the questions to which we sought to obtain answers and to indicate the character of the replies received.

Question 1—Do you have a single purchasing agent or a purchasing commission or board?

Answers:

| | | | |
|------------------------|----|-------------------------------|----|
| Purchasing Agent | 21 | Answered "No" | 10 |
| Heads of Depts. | 12 | Purch. Agt., up to \$500..... | 3 |

Question 2—Is there a limit to the amount he can purchase without bids?

Answers:

| | | | |
|---------------|----|-------------|---|
| \$2,000 | 1 | \$200 | 7 |
| 1,000 | 1 | 100 | 6 |
| 500 | 14 | 50 | 6 |
| 300 | 1 | 25 | 3 |
| 250 | 5 | 10 | 2 |

Answers:

| | | | |
|-------------|----|------------|---|
| "Yes" | 13 | "No" | 9 |
| "All" | 5 | | |

Question 3—Is he required to keep within a certain appropriation or budget?

Answers:

| | | | |
|-------------|----|------------|---|
| "Yes" | 68 | "No" | 8 |
|-------------|----|------------|---|

Question 4—What provision is made in case he exceeds the budget, for the proper payment of the obligation?

Answers:

| | | | |
|---------------------|----|-------------------------------|----|
| "Next budget" | 7 | "Not allowed to exceed" | 17 |
| "Transferred" | 10 | "No provision" | 12 |

Question 5—Is such a purchase, made after the legal appropriation is exhausted, a legal claim against the city?

Answers:

| | | | |
|-------------|----|------------|----|
| "Yes" | 31 | "No" | 20 |
|-------------|----|------------|----|

Question 6—Do you have a regular form or order blank which is invariably used?

Answers:

| | | | |
|-------------------------------------|----|------------|----|
| "Yes" | 61 | "No" | 22 |
| "Some boards do and some not" | 2 | | |

Question 7—Is a claim against the city valid if this blank is not used when the goods are ordered by the one in authority?

Answers:

| | | | |
|--------------------------|----|------------|----|
| "Yes" | 48 | "No" | 11 |
| "Form always used" | 10 | | |

Question 8—If funds are not available for the prompt payment of goods and payment is to be deferred by a registered warrant, is this information given to the seller before the order is filled?

Answers:

| | | | |
|---------------------------|----|------------|----|
| "Yes" | 27 | "No" | 13 |
| "No warrant issued" | 41 | | |

Question 9—If payment is deferred, are such warrants payable without further audit, simply upon presentation to the treasurer?

Answers:

| | | | |
|---------------------|----|------------|----|
| "Yes" | 32 | "No" | 10 |
| "No warrants" | 26 | | |

Question 10—In what manner are obligations met when available funds are exhausted? Are warrants issued or does the obligation rest until appropriations are made?

Answers:

| | | | |
|---------------|----|------------------|----|
| "Rests" | 22 | "Warrants" | 14 |
|---------------|----|------------------|----|

If after a careful canvass of these replies, we were impressed with any one thing in particular, it was the dissimilarity of requirements, procedure and practice which at once presented an insurmountable barrier to the making of any but the most general suggestions and recommendations for the guidance of those who have commercial relations with cities and their various departments. Indeed it is with some trepidation that we attempt even to generalize on the subject.

We, however, present the following in the hope that, though the results have been meager, some light may have been thrown upon this perplexing problem and that the work only barely initiated may be carried on until more definite and helpful results may be obtained.

CONCLUSIONS.

First—Those who trade with municipal bodies must, if they would escape the annoyance, delay and trouble commonly experienced, adopt as a general rule that a city or any of the departments over which it exercises control, must not be given credit in reliance on the single fact that it is a municipality and for that reason financially responsible, but rather should, owing to the wide differences in procedure and requirement, regard each body dealt with as a separate and distinct risk having its own characteristics and each sale as a transaction which is entirely without the well settled rules which ordinarily govern the extension of credit.

Second. That owing to the wide variety of method and differing limitations in purchasing power and legal liability a sale made today might be safe and within the provisions of law or ordinances, and tomorrow might be without that limitation and therefore technically illegal and uncollectible.

Third. That while the municipality with which a contract or sale is consummated, may be unquestionably solvent this fact must not be relied upon exclusively but the seller must recognize that more than the usual burden of investigation and inquiry is placed squarely upon him if he would trade intelligently and escape the possibility of a long deferred settlement and a possible rejection or repudiation of his claim.

The extent of the profit to be gained in any such transaction must be the measure of the risk which the seller will take and of the forbearance which he will be induced to exercise in dealing with the question of disputed claims and long deferred payments.

A transaction involving a long profit might be held to justify the disregard of conditions imposed, but under such circumstances loss or delay should be borne uncomplainingly.

Fourth. That if the seller would escape so far as possible any infractions of the contract and all controversies as to the correctness or legality of his claim, there are certain fundamentals which must be invariably regarded as an inseparable part of each and every transaction.

They may be generally stated as follows:

- a. Authority of individual, officer, or agent making the requisition for merchandise.
- b. Is the order legal without competitive bidding?
- c. If no competition is required, what is the legal limit covering a single purchase, and is the total of purchase limited by budget or special appropriation?
- d. Does the order fall within such budget or appropriation?
- e. Are the orders by ordinance or charter provision, required to be put in any particular form or submitted upon a regular requisition blank and is it provided that no orders be honored unless submitted accordingly?
- f. In what form must goods be billed and quantity, quality and delivery vouched for and are claims made in prescribed form.

Fifth. It must be kept in mind that departure from or carelessness in regard to all these modes of procedure and routine which are

so dissimilar, must necessarily add to the risk of the transaction and involve the seller in possible trouble and delay, all dependent upon administrative changes and the various contingencies which are indicated in questions 4, 5, 7, 8, 9 and 10.

RECOMMENDATIONS

We are aware that the meager results which we are enabled to report simply emphasize the statement previously made, that we regard our work and investigations as only fairly begun. Yet, such small progress as has been made prompts us to recommend the continuance of the work by another committee. To this end, we beg leave to offer the following resolutions:

I

"Resolved, That the investigation of municipal credits be continued by this Association and that a committee be appointed by the incoming administration for that purpose.

II

"Resolved, That the data thus far gathered be tabulated and filed at the National office for the benefit of those who may wish more particular information and that there be published in the BULLETIN the names of all the cities which have thus far submitted data."

We recommend that the incoming committee, if it is your pleasure that the investigation be continued, should pursue its inquiries in a form the same or similar to that used by this committee but that a new list of cities be prepared and that as replies are received the same be tabulated and filed and a revised list of such cities be published in the BULLETIN from time to time.

It is obvious that the data received is of a confidential nature and that it is not consistent to publish the same in full, but it is believed to be consistent that it should be put in concise form by our National office and held subject to call for the confidential use of those of our members who may be interested.

We also suggest that our successors consider the feasibility of preparing a form letter for the use of our members which shall be in the nature of a letter of inquiry to be sent to a city or its purchasing agent or officer, asking for information concerning the vital and essential things which the seller of merchandise should know before executing a contract or order. As more complete and comprehensive data is gathered, the preparation of such a letter may be consistently undertaken and when ready could be published in the BULLETIN for use of the membership at large.

Respectfully submitted,

GEORGE G. FORD,
WM. G. WOODWORTH,
GEORGE A. RICKER,
J. I. COLWELL,
L. S. FOULKES, *Chairman*.

F. C. Wasserman, Portland—I move the adoption of the report and the resolutions. Seconded by W. Q. Wales.

Motion unanimously carried and report and resolutions offered by committee unanimously adopted.

President Salisbury—The next order of business is the report of the Committee on Commercial Arbitration, R. S. White, Chicago, chairman.

Mr. White—Before commencing to read the report, I feel that it is not out of order to voice the regret, not particularly on my own account, because my time will be short up here, but on account of others who have had to occupy the platform for a longer time, that our worthy president, on account, probably of the bad example of our genial secretary, lost his nerve after the first day, and compelled us to wear our coats on the platform.

President Salisbury—I will remove mine at once.

Mr. White—Then I will do likewise. (Laughter.)

Mr. White—You have all seen the report as printed in the pamphlet, and I assume that you judge from the brevity of the report that the committee found that there was not much for it to do. Such, however, was not the fact. The difficulty experienced by the committee was in finding a place to start. After giving the subject considerable attention, with the able and persistent assistance of our worthy secretary, we reached the conclusion that it might be well before going far with recommendations as to the administration of an arbitration law, to find out what we had in the way of such laws throughout the states, and supplement what we found by bringing about the enactment of similar laws in other states. Now, some one coming in casually from the outside today and sitting through this session of the convention, I am inclined to think would reach the conclusion, if he had not been advised beforehand, that this was a convention of lawyers, or a convention having a close relationship to law, because that is about all we have had this forenoon.

The previous sessions of the convention, however, have been devoted very largely to efforts to find out ways and means of doing certain things—certain commercial things—without resorting to law. Now, we need the law as a support for these different things that we propose doing without actually calling on the law, and this subject of commercial arbitration comes within that class. In order to make it effective we have first got to have laws, so that when a decision by arbitration is reached, it can be enforced. Now, to my mind the greatest difficulty we are to experience in connection with this is the very fact that on account of its carrying with it some features of legal enactment or approval, the rank and file are going to be slow in educating themselves or informing themselves as to the few simple processes that will be necessary to enable them to avoid the long, laborious, dilatory method necessary to settle disputes in courts of law, and proceeding to dispose of them immediately by calling in friendly arbitrators, and then having only the one thing to legalize it, namely, to pass the decision as reached by the that tribunal.

I have thought it advisable to make this little explanation in presenting this report, so that the brevity of the report, and the small amount of detail in the report would not lead any of us to overlook the importance of the subject.

Report of the Committee on Commercial Arbitration

To the Officers and Members of the National Association of Credit Men.

Your Committee on Commercial Arbitration cannot report a particularly productive year in the promulgation of the plan of commercial arbitration for adjudicating commercial disputes. It has been found necessary to study the situation in each of the states in order to act

intelligently in advising the setting up of the necessary machinery for commercial arbitration through the offices of the local Credit Men's Associations in co-operation with local Chambers of Commerce or Boards of Trade.

Based on a recommendation made by Julius Henry Cohen, Esq., of the New York bar, the association's counsel in arbitration matters, the committee decided to have prepared a model commercial arbitration law. This law has been prepared by Mr. Cohen and will be ready for



R. S. WHITE
American Steel & Wire Co., Chicago, Ills.
Chairman, Committee on Commercial Arbitration

submission in the states now without adequate arbitration statutes whose legislatures convene in 1914.

Necessarily, the development of commercial arbitration as a practical and general adjudication of commercial disputes will have to move slowly, in spite of the fact that it is generally conceded to be a movement in the right direction and one which should be fostered by the National Association of Credit Men.

With this very brief report your committee offers the following resolutions:

I

"Resolved, By the National Association of Credit Men in convention assembled, that its faith and confidence in commercial arbitration, as a desirable economic method of adjudicating commercial disputes is reaffirmed and that it is the conviction of the association that the system of arbitrating commercial disputes should be promoted, and that the Special Committee on Commercial Arbitration should be continued in order that in those states having no adequate provision by law for commercial arbitration in the form we propose, efforts may be directed upon the adoption of the model commercial arbitration law.

II

"Resolved, That in the promotion of this work the interest and sympathies of Chambers of Commerce and Boards of Trade be solicited and that this work be encouraged in co-operation between local Associations of Credit Men and such chambers and boards."

Respectfully submitted,

R. S. WHITE, *Chairman.*

Mr White moved the adoption of the report and accompanying resolutions.

A. J. Gaehr, Cleveland—I wish to say that the work of this committee is bearing fruit in Cleveland. The municipal court has a conciliating room, where suits are settled. The court costs have been as low as fifty cents in some of the conciliation cases.

Motion unanimously carried and report and resolutions offered by the committee unanimously adopted.

President Salisbury—There is one more report, the report of the Special Committee on Credit Department Forms and Methods. The secretary will read the report.

Report of the Special Committee on Credit Department Forms and Methods

To the Officers and Members of the National Association of Credit Men.

The report of your Committee on Credit Department Forms and Methods is largely embodied in the book of "Forms and Methods" submitted herewith.

In the opinion of your committee the work is but fairly launched, inasmuch as contributions thereto were received from only about two per cent. of the membership of this great organization and complete co-operation of all the members would bring forth a wealth of material which would prove of material assistance to all.

Our report being purely tentative, we have obtained only rough estimates upon the cost of publication as follows: The cost of having cuts made and printing will vary from six hundred to seven hundred dollars for twenty thousand copies, while the cost of binders varies con-

siderably and would depend upon the advisability of using a permanently bound book or loose leaf, though the committee would recommend the loose leaf system. Without a careful canvass of the field, it is impossible to state even approximately how much advertising could be obtained for such publication, but we are assured by an advertising manager of national experience that it would make an ideal advertising medium for stationery and office supply and fixture houses and it is hoped that the returns from this source would practically pay the cost of publication, binding and distribution.



E. G. LEIHY
Blumauer-Frank Drug Co., Portland, Ore.
Chairman, Committee on Credit Department Forms

In closing the committee desires heartily to thank those members who contributed to the success of its efforts, and particularly Secretary-Treasurer Tregoe, without whose generous assistance this report would not be possible.

The committee desires to offer the following resolution:

"Resolved: That the president of the Association appoint a committee of five members in attendance upon this convention to examine the proof submitted herewith in order to report to the convention upon the

feasibility, value and desirability of its publication in book or loose leaf form."

Respectfully submitted,

W. J. HENDERSON,
J. H. WEER,
E. G. LEIHY, *Chairman.*

Secretary Tregoe—This special committee was authorized at the Boston convention. It is a committee located in Portland, Ore., and Tacoma, Wash. During the entire year this committee gathered from all the local associations the best credit department forms which could be obtained. From the forms submitted it has culled those forms which it felt would be interesting and helpful to credit men. The committee has submitted the forms; and it was the purpose of the Committee on Credit Department Forms and Methods to ask that a committee of five be appointed by this convention to examine these forms and make report to this convention. But the report falls at the close of committee business; so if you will permit me, I will suggest to the convention that some one move that the committee be continued and that it submit to the Board of Directors in annual meeting in September, recommendations as to the publication of a book that will incorporate the forms which they recommend, together with the cost that will be attached to its publication.

Arthur Parsons, Salt Lake City—I move the adoption of the resolution as outlined by the secretary. Seconded and unanimously carried.

Recess was here taken until 2.30 o'clock P. M.

FOURTH DAY

Friday, June 20, 1913

AFTERNOON SESSION

The session of the afternoon of the fourth day of the convention was called to order at 2.30 o'clock P. M.

President Salisbury—We shall first listen to an address on "The Trend of Credit Education," by A. J. Gaehr, of Cleveland, Ohio.

The Trend of Credit Education

ADDRESS BY A. J. GAEHR, CLEVELAND, OHIO.

A government that rests upon the will and universal suffrage of the people has no anchorage except in the people's intelligence. Likewise there is no guarantee of the permanence and safety of our commerce save the intelligence of our merchants.

During the few moments the pressure of convention business allows us, we are to consider the question of training future merchants, in particular future credit men, and what more we must do to square our ambitions and hopes with our actions, as well as to give some brief attention to the work of others.

The annual losses by reason of failures in the United States amount now to about \$200,000,000, over \$2.00 per capita, or, to put it concretely, the national annual loss from bad debts equals one-half the estimated cost of the Panama Canal, or, to put it in another way, we could have covered the cost of the Panama Canal nearly four times with the amount of the accounts lost during the brief period since the government began the work of excavating to the present day. What an awful toll we pay!

Germany and the European countries have been far ahead of us in the matter of commercial education. The city of Hanover, Germany, celebrated last year the seventy-fifth anniversary of the founding of its commercial and vocational high school, and the special report issued tells the story of long, patient and faithful labor and results accomplished, of which its citizens are justifiably proud. Saxony, with a population of less than the city of New York, has forty-eight commercial and vocational high schools, and Prussia, with a population about nine times that of Ohio, has 310 such schools. The London Chamber of Commerce a few years ago found on investigation that nearly one-half of the clerks in the city offices were foreigners, mostly Germans, because they had a better general education and better knowledge of foreign languages.

The need of better trained men, especially commercially trained, made itself severely felt several years ago and as a result a number of universities and colleges of high standing organized schools of commerce, Harvard University ranking its School of Business Administration as one of the graduate schools. Several cities have established high schools of commerce, yet the schoolmaster and business man are still too far apart.

Several affiliated branches of our Association have established so-called "Courses in Credit," consisting generally of a series of lectures. Commendable as our beginning has been, such efforts are not sufficient for our needs, nor do our credit courses measure up to our standards of training men, nor have we fully realized the stupendous responsibility resting upon the credit and financial managers, to whom is entrusted the

financial welfare of their own houses, and whose errors of judgment may result in dragging many others down.

Prof. Münsterberg of Harvard University observes that a great difficulty of our educational system has been that it does not teach a man to find himself, and when he learns his strong and his weak points, his real inclinations toward and qualifications for a pursuit in life, it is usually too late. We find the highway of commerce and life marked with sad monuments of men crushed under the wheels of progress who would have made a success in life had they had the proper direction and counsel and had they been taught to fashion their thoughts to fruitful issues, men who could and should have been helped to usefulness.

A further difficulty is, the vocational demands are not sufficiently fixed and brought to the attention of the younger generations. They know comparatively little of the inner labors, the inner values and inner difficulties of various professions and callings.

Then, too, in many cases trivial chance influences decide the choice of a vocation. Young men often drop into a place, rather than deliberately choosing business as a life vocation.

What do we demand of the men who preside over credit departments, and what training do we give them? We want men who diagnose a case with the care and certainty of a skilled physician; who give it the exact treatment needed; men who act and judge with the precision of the mathematician and scientist and the wisdom of philosophers and the astuteness and the thoroughness of lawyers and who are as exacting in their analysis as chemists. Men, suave, affable, but still determined, who act vigorously without offending, and kindly without undue leniency.

What office training do we usually give them? A young man enters an office as a junior clerk, and by faithful performance of his duties he advances from position to position, learning the routine of the office, until he perhaps becomes a junior in the credit office, having been instructed in the methods of the particular house, or more often having acquired a knowledge of the methods by his own efforts. If the young man enters the offices of an aggressive and first class house, well and good enough, he may get some training, but if he "lands" in the office of a concern, though reliable and respected, still not aggressive, nor alert, the young man's office instruction will be meager indeed.

Dean Johnson of the New York University School of Commerce properly pointed out that "Business today is constructive, and constructive business must be directed by constructive thought, and constructive thought must be based on strong and broad knowledge." He adds: "A 38 calibre man, even without organized business knowledge, is a force, but with such knowledge at his disposal, he becomes a well directed and almost irresistible power."

As the cornerstone of all educational plans we must place mental discipline. One who has never learned to think deeply and accurately, who depends for his information upon others, who acts upon the impulse of the moment and predicates his decisions upon chance experiences is like a ship without a rudder or compass upon a storm-tossed sea, the victim of circumstances.

Some one has said, "The ability to reason clearly, to go at the root of a matter, to see it in its proper relations to other matters is a most important factor in gaining a commanding position among one's fellows." Kuehneman, the German educator, observed, "Right mental discipline is the very essence of education. It expresses itself in keen observation, correct induction, sober imagination, unbiased and sane judgment."

How is mental discipline secured? One does not say: "I *will* have mental discipline, and presto! in a week the thing is done. Mental discipline is acquired in proper study. It is the result of patient labor and continuous exercise; the fruitage of years of effort.

It is impossible more than briefly to outline a proper training course in credits, but such course should be so broad as to enable the student to acquire in a systematic and co-ordinated manner a thorough and comprehensive grasp of business principles and affairs. Such a course of study requires at least two or three years of work.

Obviously a student must have sufficient preliminary training before he can undertake it with profit. A high school course or its equivalent should be a prerequisite.

In addition to the principles and fundamentals of credit, I would name the following subjects to be studied thoroughly and mastered:

Accounting,
Theory of Accounts,
Laws of Banking and Finance,
Organization and Business Policies,
Economics,
Economic History and Resources,
Commercial Geography,

and I would expect the student to study commercial law sufficiently to avoid pitfalls and to be able to appreciate the value of legal counsel.

In addition to these the student should have a knowledge of history and literature, that he may understand other times and the peoples of other countries. We do not want to train clerks or mere order-checkers, but credit men, so that business shall be conducted by business experts. We want a course stiff enough to weed out the unworthy, one that will enable the student to acquire such knowledge as will qualify him to rise in his business and the world of affairs, to become a real force, to develop him into creative leadership and ultimately to make him the motive power and head of his concern.

After completing the work and after duly passing examinations prepared by the National Association of Credit Men, such examinations to be held under the supervision of authorized representatives of the Association, appropriate certificates should be issued by the National Association. Holders of such certificates should be given preference, whenever practicable, when applying for positions or promotion. A certificate should become of definite recognized value, like a certificate of admission to the bar.

The student must understand that education is not the piling up of information, like so much cordwood, but the capacity to absorb, interpret and apply useful information related to men and affairs, the success of this application being largely a measure of the mental discipline received in the course of acquiring an education. We must create a new fellowship among the world's scholars and truthseekers. A prime requisite will be new text books on credits and seasoned instructors. Excellent though some of the extant literature is, the books were not written for and are not adapted to school work in this field. Experienced business men will find ample opportunity to dedicate their ripened faculties by giving occasional lectures supplementing the instruction.

Uniformity should exist in all instruction work carried on by the Association and it must be under the supervision of a competent head,

eventually an "Educational Director," similar to such office in the American Bankers' Association and the Insurance Institute. There should be held an annual conference of instructors, preferably in connection with the annual convention, to keep the instructors in close touch with the credit grantors and their problems.

Furthermore, we should request the schools of commerce and business administration of recognized standing to teach more extensively the theory and fundamentals of credit, to equip their students to fill positions as credit managers.

I would recommend that we ask one or two universities or colleges, who have correspondence departments, like the University of Chicago, for example, to outline a course in credits by correspondence so that any man in any nook and corner of the country may have the advantages of systematic preparation for this important life work. All this work should be of high university or college standard. Not for an instant will we tolerate sham work or cram schools. Intellectual dishonesty is on a par with dishonesty in money matters and is equally reprehensible and pernicious.

In addition to this I would recommend collateral reading courses for the men more advanced in years, who have acquired a pretty fair working knowledge of credits through years of experience. My faith in education and reading shall not betray me into the error that either schooling or reading alone can turn out a finished product within a given time. The course equips the man only in so far as it gives him the tools, smooths the road and shortens the time necessary to become proficient, but it requires a touch with actual conditions to round out the man. The contemplated course will teach the faithful student how to make his talent and energy count; how to develop his personality by work.

Again I urge: Seek ye first the kingdom of clear and correct thinking, and all these things shall be added unto you.

It has been well said that progress always consists in harmonized action of wider and wider interests and the securing of broader and truer visions of life. Our entrance as an association on the educational field will task our strength and energies fully and make heavy demands on our time and talents. We must anticipate much of this work by joining forces with vocational guidance councils and bureaus and contribute our part to their work.

Here is a plan of education for conservation, for service, for the primary and controlling purpose of extending opportunities, "education that has life and enters into life."

To the young man are furnished the means by which he may hope to become a credit man. It is not the work of an hour, or a day, or a year, but of years of unremitting application and industry, of patient plodding and painful study. It is not by intermittent effort or occasional starts that anything of value is gained. It is the outgrowth of well-directed and persistent effort. There is no road to success except by toil and sacrifice. Let the younger generations who have ambitions heed the lesson of the great bard, "Every bondman in his own hand bears the power to cancel his captivity."

The demands are great, but the opportunities are more than keeping pace. Witness the development of the electrical industries, the building of the Panama Canal, and the New China, all of which mean greater opportunities than ever before. Shall we rise to them? Shall we furnish or aid in the equipping and training of men to be the torch bearers of commerce, both at home and abroad? Shall we contribute

our part to see the American spirit of industry and aggressiveness carried over all lands by young men who have been thoroughly trained, who have laid a deep foundation of knowledge, who are honest with themselves and honest with others, and thus fitted to be the leaders of industry and commerce?

The manner in which we answer this question will shape the future of our profession. (Great applause.)

F. J. Smith, Buffalo—There is no subject for our consideration as credit men that is more vital than that of credit education. Many of us are members of our firms, officers of corporations or individual owners of companies, who are taking an active part in the allotment of credit. This has been true in but a few years past, but it is now recognized that conditions require a man who is well versed in the scientific granting of credits; and I am willing to wager odds that very few of us here will claim that we can scientifically grant a credit. To read a report and state whether or not a man is entitled to credit is an easy matter, basing our opinion on a rating given by one of the mercantile agencies. We are in an age in which we desire to enlighten the other man. Most of our knowledge is acquired by education at the present time, but we want to make it clear to the colleges and schools of the country that there is a profession which has come into existence for which they must fit men, and that is the profession of the credit man. It is a new profession, one to which very little consideration has been given in the past—and the only way that we can accomplish our purposes is to educate the young fellow desirous of entering our vocation.

The able address just given by Mr. Gaehr, in my opinion, is one of the most interesting we have had and of vital importance to our profession. I accordingly move that a vote of thanks be extended to Mr. Gaehr, and also that his address be referred to the incoming Committee on Business Literature, with the suggestion that it be printed, published and circulated among the various local organizations.

Seconded and unanimously carried.

President Salisbury—The next order of business is the report of the Committee on Resolutions, F. H. McAdow, of Chicago, chairman. (Great applause.)

Mr. McAdow—Your committee begs leave to submit the following report:

RESOLUTION I.

Resolved, That the National Association of Credit Men approve the action of the National Building Trades and Employers Association, the Surety Association of America, and the American Society of Engineering Contractors in their endeavor to standardize specifications, contracts and nomenclature of materials, with a view to eliminating the uncertainties, ambiguities and irrational conditions which bring unfair losses upon concerns handling building materials, and be it further

Resolved, That our local organizations be urged to devote earnest efforts to securing in their respective states the passage of a law which shall bring about this much needed standardization and reform, the law to be similar to the one in effect in Pennsylvania, which provides for an equitable settlement of differences."

The Pennsylvania law referred to is as follows:

"That no provision in any contract providing either by express words, or in substance and effect, that an award or appraisement of an engineer, architect or other person shall be final or conclusive, nor any provision that a certificate of an engineer, architect or other person shall be a condition precedent to maintaining an action on such contract, or shall oust the jurisdiction of the courts, but any controversy arising on any contract containing such provisions or *any* of them, shall be determined in due course of law, with the same effect as if such provisions were not in such contract."

The committee moves the adoption of the resolution.

Seconded by Harry P. Boyd, of Baltimore.

Motion unanimously carried and resolution adopted.

On motion duly seconded, the resolutions were adopted by unanimous vote.

II

"Resolved, That the National Association of Credit Men, deplored the laxity of many houses in the enforcement of terms of sale, strongly recommends that the members of this Association exercise greater diligence in scrupulously insisting on the observance of terms and in requiring that extensions be granted only upon request and under *proper arrangements*, rather than that they be allowed as an indulgence and without a definite understanding as to their deduction."

On motion duly seconded, this resolution was adopted.

III.

"WHEREAS, The National Association of Credit Men has observed with interest and approval the organized effort of the American Bar Association to simplify, expedite and cheapen the procedure of the inferior federal courts with the hope of the adoption of a model system by all the states; and,

"WHEREAS, Such a course is believed to be entirely in the interest of the business of this country and that Congress ought speedily to authorize the United States Supreme Court to prepare the necessary system; now therefore, be it

"Resolved, That the National Association of Credit Men does hereby evidence its appreciation of the American Bar Association's campaign and cordially endorses and tenders its support of the same. And for the purpose of placing the same in concrete form, we do hereby adopt the Shelton resolution passed by the American Bar Association at its annual convention in August, 1912, in the following words:

"WHEREAS, Section 914 of the Revised Statutes has utterly failed to bring about a general uniformity in federal and state proceedings in civil cases; and,

"WHEREAS, It is believed that the advantages of state remedies can be better obtained by a permanent uniform system, with the necessary rules of practice prepared by the United States Supreme Court;

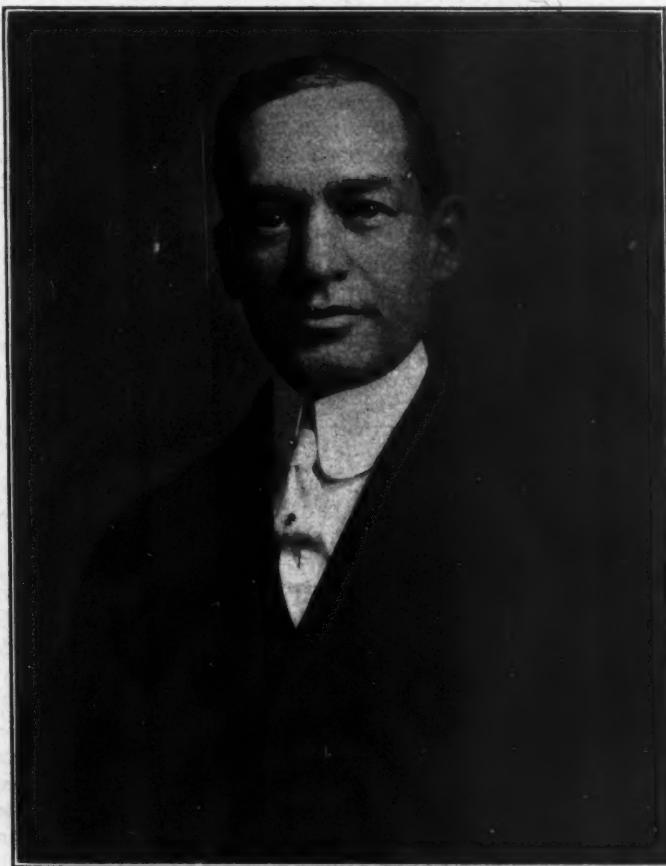
"Now, therefore, be it hereby resolved:

"First—That a complete uniform system of law pleading should prevail in the federal and state courts.

"Second—That a system for use in the federal courts, and as a model, with all necessary rules of practice or provisions therefor, should be prepared and put into effect by the Supreme Court of the United States;

"Third—That to this end, Section 914 and all other conflicting provisions of the Revised Statutes should be repealed and appropriate statutes enacted;

"Fourth—That for the purpose of presenting these resolutions to Congress and otherwise advocating the same in every legitimate manner, there shall be appointed a committee of five members to be selected by the president, to be known as 'The Committee on Uniform Judicial Procedure'; it is further



J. HOWARD EDWARDS
The Edwards Co., Youngstown, Ohio
Chairman, Committee on Uniformity in State Laws

"Resolved, That the Legislative Committee and the Committee on Uniform State Laws of the National Association of Credit Men be requested to co-operate with the Committee of the American Bar Association on Uniform Judicial Procedure in carrying out the purposes of this resolution; and that a copy hereof be presented to the President of the United States, to Congress and to the American Bar Association."

E. F. Sheffey, Virginia—I wish to ask permission to have printed in the record an article found in the *Central Law Journal*, by W. M. Lile,

Dean of the Law School of the University of Virginia, which amplifies the reasons why this resolution should be passed.

The article presented by Mr. Sheffey to be incorporated in the record of the proceedings is as follows:

UNIFORM PROCEDURE AT LAW IN THE FEDERAL COURTS.

There is no sound reason why there should be a uniform system of equity procedure in the federal courts and a total lack of uniformity in the procedure at law. Every argument in favor of the one applies with equal force to the other.

It is only because we are accustomed to the anomaly that it does not disturb us. If a visiting lawyer from another planet should learn that our federal jurisdiction was exercised under one uniform system of procedure on the one side of the court, and under forty-eight distinct and inharmonious systems on the other, he would doubt the sanity of our lawmakers.

If one of the states should pattern after the federal method, the result would be as many different systems of procedure in the state as there were counties. The growth of the federal jurisdiction, and the practical elimination of state lines for social, commercial and economic purposes tend to make the suggested parallel more striking and complete.

Before the era of rapid transit and quick communication, the lawyer's practice was confined largely to his local jurisdiction. Now he conducts cases in all parts of the country. But he finds that howsoever proficient in the conduct of equity causes in the foreign jurisdiction, he is helpless on the law side of the court.

The judge of one district temporarily presiding in another, is confronted with new and strange forms of procedure, necessarily hampering his prompt administration of justice. The circuit judge, in a circuit comprising a number of states, is embarrassed by the multitude of diverse methods of administration encountered as he moves from state to state, or on appeal, adjudges nice questions of local practice with which it is impossible that he can become familiar.

There may be historical reasons for this policy of uniformity in one branch and a complete lack of it in the other, but with changed conditions these reasons have long since lost their force. Every present consideration demands a single, complete and uniform system of procedure at law, operative throughout the country.

The time is especially propitious for urging this reform. The public utterances of Mr. Taft have done much towards arousing attention to our antiquated and dilatory methods. The new equity rules admirably illustrate the spirit of the times and are a concrete illustration of what may be accomplished in the direction of needed reform.

In my opinion, the efforts of the American Bar Association towards a uniform system of legal procedure in the federal courts deserve active and enthusiastic support from the American bar.

W. M. LILE,
University of Virginia.

On motion, duly seconded, the resolution was adopted by unanimous vote.

IV.

Resolved, That the National Association of Credit Men again gives expression to a demand on the part of its members for one cent letter postage and for such readjustment of the rates applicable to the various classes of mail matter as will more nearly place each class on a self-supporting basis and instructs its officers and directors to use all proper means to effect the necessary legislation."

Adopted.

V.

"WHEREAS, The business of advancing money on assigned accounts under arrangements for the assignment of invoices from time to time has been growing to great proportions, and

"WHEREAS, This Association, while recognizing that such business may be legitimate and is capable of performing valuable functions in the commercial community, has discovered that through lack of regulation by law, it is being conducted oftentimes in such manner as to deceive creditors into the giving of credit because of the presumed ownership of an apparently flourishing business which, when failure occurs, is found to have been without basis or foundation because the debtors' accounts receivable have been secretly hypothecated, leaving little for general creditors, and

"WHEREAS, It seems but equitable that such arrangements for advancing money on assigned accounts be registered for the protection of creditors and others in a like manner as chattel mortgages and conditional sales contracts are required now to be registered, now, be it

Resolved, That the National Association of Credit Men, in convention assembled, declares itself in favor of the enactment of uniform statutes throughout the states providing for such registration of arrangements for the advancing of money upon assigned accounts as will properly safeguard the giving of credits."

Chairman McAdow—I move the adoption of the resolution. Seconded by Mr. Oatley.

C. B. Adair, Kansas City—It would seem that while that toward which the resolution aims would work advantageously in some cases, it would tend to prevent some concerns from making use of a means of obtaining financial assistance sufficient to handle their business. The resolution refers only to accounts; what is to prevent accounts being closed by a note? There is nothing said about the notes being assigned. Furthermore, a firm that may be in very fair financial condition must advertise to the public by the mortgage that it has assigned its accounts. Would not that furnish an opportunity for collecting agents to get the information and send it out to creditors, thereby bringing on a condition that would be entirely unsatisfactory, at least until such times as we have adjustment rules all over the country, thereby getting a friendly adjustment instead of having a bankruptcy take place.

Motion to adopt the resolution offered by the committee unanimously carried and resolution adopted.

VI.

"WHEREAS, It is now generally conceded that the rapidly growing use of trading stamps is producing a dangerous competition among retailers and thereby tending to bring about an unusual number of failures;

"Resolved, That the National Association of Credit Men use every means in its power to eradicate this evil, by education, legislation and united effort; and that it requests its individual members and affiliated associations to exert special efforts in this direction during the ensuing year."

Adopted.

VII.

"Resolved, That the National Association of Credit Men notes with deep interest the announcement of a National Conference on Fire Prevention, to be held in Philadelphia, Pa., October 13-18, 1913, and endorses the purpose of this conference and promises to lend every reasonable support to it in its efforts to bring about a reduction of the country's fire waste."

Adopted.

VIII.

"WHEREAS, The dangerous tendency to the over expansion of municipal credits was brought out with peculiar force and power in the address of the Hon. Wm. A. Prendergast on the "Tendency of Municipal Credits," his address treating one of the most important municipal problems of our time, therefore be it

"Resolved, That the secretary-treasurer be requested to furnish copies of this address to the officers of local associations with the recommendation that local newspapers, and trade and financial journals, so far as possible, publish the same."

Mr. McAdow—The committee moves the adoption of the resolution. Motion seconded by Mr. White, of Chicago.

It was suggested that a motion had been made and carried that Mr. Prendergast's address be distributed by the Business Literature Committee.

Mr. McAdow—Such resolution, if adopted, will not interfere with the former resolutions, which provide for the publication as part of the business literature. The committee thought it might be well to get immediate publicity outside of our own Association.

J. W. Daniels, Philadelphia—There is an error in Mr. Prendergast's paper regarding Philadelphia which should be corrected. Mr. Prendergast will be glad to see it corrected.

Motion unanimously carried adopting resolution as presented by the committee.

IX.

"Resolved, That the National Association of Credit Men in convention assembled at Cincinnati, Ohio, extends thanks and commendation to the legislators and executives of the United States of America, the Dominion of Canada, the states of the United States of America, and the provinces of the Dominion of Canada, who have passed and approved legislation for the advancement and protection of mercantile credits, particularly legislation pertaining to bulk sales, false statements and bad checks.

"Resolved, That the favorable consideration of protective and corrective mercantile and credit legislation is earnestly recommended to the executives and legislators of the United States of America, the Dominion

of Canada, the states of the United States of America and provinces of the Dominion of Canada, and

"Resolved, That the secretary-treasurer forward to executives and presiding officers of legislative bodies copies of these resolutions.

Adopted.

X.

"WHEREAS, Many of the local associations hold their annual meetings on dates having no relation to the date of the annual meeting of the National Association, thus bringing about changes in staffs of officers and committees of local associations during the busiest and most important months of the year, and

"WHEREAS, This condition militates against the successful carrying out of the plans of the National Association, therefore be it

"Resolved, That the National Association of Credit Men in convention assembled recommends and urges upon each and every local association whose annual meeting does not conveniently approximate the date of the annual convention of the National Association to change the date of its annual meeting to the end that the work of the National Association and all its branches may be carried through with as little break and confusion of effort as possible."

Adopted.

XI.

"WHEREAS, There still exists among some of the affiliated branches of the National Association of Credit Men, in spite of the action of preceding conventions, a tendency to depart from that original requisite of membership set forth in Article II, Sec 1 of the constitution, namely, that 'Membership shall consist of credit men, representing corporations or individuals engaged in any legitimate line of business where credits are given,' which tendency weakens the Association in its attempt to bring about certain classes of important reforms, be it

"Resolved, That we again urge every affiliated association that it push vigorously for the enlarging of the organization so that it shall include every desirable mercantile, manufacturing and banking concern engaged in legitimate credit lines, but exclude from membership all others."

Adopted.

XII.

"WHEREAS, The *Daily Trade Record* of New York has again, during the past year, devoted much space to the work of the local branches of the National Association of Credit Men, and has again given full publicity to the work of this convention, therefore be it

"Resolved, That the National Association of Credit Men, in convention assembled, reiterates its thanks to the *Daily Trade Record* for its enterprise and the work of its representatives."

Adopted.

XIII.

"Resolved, That we extend to the *Trade Review* and the press of the country in general, our appreciation of their courteous treatment in bringing before the public the purposes of this Association and its methods of work, and particularly to the daily papers of the city of Cincinnati we tender our acknowledgments for the prominence they have given the Association in their columns during these sessions held in their

midst, and for the care they have evidenced in publishing the accounts of our deliberations."

Adopted.

XIV.

"Resolved, That we here and now express our heartiest appreciation to the Hon. Henry T. Hunt, Mayor of Cincinnati; to Walter L. Draper, President of the Cincinnati Chamber of Commerce; to Samuel Mayer, President of the Cincinnati Association of Credit Men; to R. P. Crockett, of Nashville; Arthur E. Johnson, of Detroit; B. K. Knapp, of Portland, Ore.; R. P. Messiter, of New York; Daniel Ashworth, of Pittsburgh; the Hon. William A. Prendergast, of New York City; Charles D. Joyce, of Philadelphia; A. H. Dobson, of Utica; Prof. W. A. Scott, of Madison, Wis.; Prof. William Hammond Parker, of Cincinnati; Denis F. Cash, of Cincinnati; J. Edward Stilz, of Indianapolis, Ind.; H. G. Moore, of Kansas City, Mo.; Geo. R. Barclay, of St. Louis, Mo.; A. J. Gaehr, of Cleveland, for their able, helpful and entertaining addresses which will take an important place in making the records of the various sessions of the Eighteenth Annual Convention of solid and permanent value."

Adopted.

Mr. Smith, Buffalo—I do not think there was embodied a vote of thanks to the Cincinnati Gymnasium and Athletic Association.

Mr. McAdow—I did not see it.

Mr. Smith—It seems to me we should express our appreciation of the hospitality of the organization. I therefore move an amendment—

President Salisbury—You will have to ask the permission of the convention to introduce anything further at this time. If there is no objection, Mr. Smith will be allowed to make his motion.

Mr. Smith—I feared that it was overlooked, and I move as an amendment that a vote of thanks be extended to the Cincinnati Gymnasium for its courtesies to the visiting members of the Association.

Amendment seconded. Motion made, seconded and unanimously carried, adopting the resolution as amended.

XV.

"Resolved, That we, the members of the National Association of Credit Men, assembled on this Eighteenth Annual Convention, do take great pleasure in extending our heartiest thanks to our president, vice-presidents, secretary-treasurer, board of directors, chairmen and members of the Committees on Credit Co-operation, Legislation, Business Literature, Adjustment Bureaus, Mercantile Agencies, Banking and Currency, Credit Department Methods, Membership, Fire Insurance, Investigation and Prosecution, Bankruptcy Law, and the special committees on Uniform Exemption Laws, Commercial Ethics, Credit Education and Management, Foreign Credits, Municipal Credits, Commercial Arbitration and Credit Department Forms, for the able and conscientious manner in which they have performed the important duties which devolved upon them during the past year, and further be it

"Resolved, That we are appreciative of their excellent reports made to this convention, reports indicating their zeal and fidelity in behalf of the best interests of the Association."

Adopted.

XVI.

"WHEREAS, The officers and members of the Cincinnati Association of Credit Men, in extending their cordial hospitality to the members of the National Association at this, their Eighteenth Annual Convention, have left nothing undone in providing for our pleasure, comfort and entertainment, and for facilitating the business of this convention, be it

"Resolved, That we all, both individually and severally, as members of the National Association of Credit Men here assembled, are deeply grateful to the Cincinnati Association of Credit Men for the great privilege which we have enjoyed in being their guests and are deeply grateful for the countless courtesies they have so generously extended and for the many occasions arranged so successfully to extend and renew the spirit of comradeship among the members and for the opportunities provided to become acquainted with this splendid metropolis and state, and be it further

"Resolved, That we take this opportunity to express our deep appreciation of the great work of the credit men of Cincinnati and surrounding territory who did such effective work for the business men of the entire country immediately following the flood disasters of the months of March and April."

Adopted by rising vote amid great applause.

XVII.

"WHEREAS, This Eighteenth Annual Convention of the National Association of Credit Men has been graced by the presence of a large number of wives and daughters of the members, and

"WHEREAS, Both we and they have been the recipients of many and delightful kindnesses bestowed by the Ladies' Auxiliary of the Cincinnati Association of Credit Men, be it

"Resolved, That we do express our acknowledgment of the honor the ladies have extended us in favoring us with their presence at this convention, and we express the sincere hope that each year will bring a larger attendance of the ladies of the Association.

"Resolved, That we do, by a rising vote, most gratefully and cordially express our acknowledgment to the Ladies' Auxiliary of the Cincinnati Association of Credit Men for the charming hospitality they have extended our ladies and for the constant attention to those minute details of entertainment which have contributed so conspicuously to the success of this convention.

"Resolved, That the pleasant memories of our visit which each and all will take to our homes will be due largely to the splendid entertainment arranged by the ladies of Cincinnati."

Mr. McAdow—The committee moves that the resolution be adopted. The motion was seconded and carried by a rising vote amid great enthusiasm.

President Salisbury—It is with great regret that I am obliged to reprove this convention. It is a matter of great concern that a large number of gentlemen such as are here before me should allow such a resolution as this to be presented with only a slight mark of appreciation. Now, gentlemen, all rise up.

(Great and long-continued enthusiasm, cheers and applause.)

President Salisbury—If there is no call for a division the chair will announce that the resolution is passed. (Laughter.)

E. F. Sheffey, Virginia—I wish to offer the following resolution:
"WHEREAS, Publicity is a great asset of any great and righteous cause, therefore be it

"Resolved, That every association be urged to appoint or elect a publicity committee, or business literature committee, which shall be delegated to give wide publicity to the Association's activities, and see that pertinent articles instructing as to the aim and working of the National Association be printed in local papers."

I offer this for the reason that the work of the National Association is not thoroughly understood. I mean no reflection on any one in the world; but I was struck with the importance of acting on such resolution when one of the vice-presidents of the Union Central Life Insurance Company said to me this morning: "Has this association any connection with the organization of traveling men? What is the object of it?" I say, let us inform the people by this method.

I move the adoption of the resolution.

Seconded by W. Q. Wales, of Boston.

Motion unanimously carried adopting the resolution.

President Salisbury—The next order of business will be the nomination and election of a president and vice-presidents.

(Here Harry New, of Cleveland, took the chair amid great enthusiasm.)

Mr. New—For four days under trying conditions you have devoted yourselves assiduously to the work that brought you here. I am reliably informed by the whole of Cincinnati—that is, Mr. Johnston, of the Entertainment Committee, that this is the hottest weather that Cincinnati ever had in the recollection of the oldest inhabitant; and it is only a freak. The attendance at these sessions has been continuous, and all of you have come here for the business that brought you here.

We now have a pleasing duty to perform. The next order of business is to receive nominations for the position of your presiding officer for next year, and the chair is ready to hear nominations. I will recognize E. S. Boteler, of New York.

Secretary Tregoe—This is "Cutie." (Laughter.)

Mr. New—The platform may be a little high for Mr. Boteler but you can look up. (Great applause and laughter.)

Mr. Boteler—There has devolved on the New York delegation today a task so gracious, a duty so pleasant, that they have seized it very gladly indeed; more especially as it is in direct line with their own hopes, their own desires. From my experience I should say that it was customary when we prepare to nominate a candidate for the presidency of this great institution, to make use of the talents of Choate, of Atlanta; Parker, of St. Paul; Marshall, of New York, or other orators. But today there seems to be no need for their gifts. The man whom we desire to honor, and by so doing the more greatly honor ourselves, has, by his life, his character, his work, his eminent fitness and his splendid personality, appealed to you as no oratory ever could; and I believe that as I stand here I am no more the voice of New York than I am of New Orleans or of any city that sends its quota to this convention; and now I shall, as I believe every one of you would do if you had the opportunity, nominate for the presidency of the National Association of Credit Men, Frederick R. Salisbury, of Minneapolis. (Great and long-continued applause.)

(Song by Pittsburgh quartet.)

T. J. Bartlette, New Orleans—It is rather a difficult matter for any man to come before a gathering such as this and talk about something that all are familiar with. I come here on the part of New Orleans to add our mite to a tribute that has already been paid to a man who has presided over you for the past year, and we hope will preside over us for the year to come, F. R. Salisbury. (Applause.) I do not know whether there is any trouble in the theory that the perfection in an object lies in the eye of the beholder rather than in the object itself, but I do know that you and I and every man look at every object from a different angle, especially when that object is a man whom we intend to honor, and that the image in your vision is different from that in mine; and yet that all must be taken together in order to complete a picture of the man as he actually is.

We people of New Orleans knew very little of Mr. Salisbury until three years ago, except as a national figure; and then in our convention held in 1910 we had the pleasure of making his personal acquaintance; and it is needless for you who know him so well to feel satisfied that that personal acquaintance ended in but one result, in a regard and esteem that will always last.

Professor Parker told us a day or two ago, in his brilliant portrayal of ancient times, of what they did in the dark ages; he told us that there were some things they did then that we do no better today, because they were not well but perfectly done. When they wanted a man they tried him out with various tests and it was only after he stood those tests that he was allowed to join in the higher mysteries and become one of the adepts. We have tried out our man as a private in the ranks, as one of our directors, and finally as our guiding hand and ruler, and in every one of these offices he has measured up to the full standard, and no man can say that he has not done well in every duty we have placed upon him. (Applause.)

My friends, it is a very far cry from the beautiful waters of Minne-haha, Laughing Water, with its crystal drops tumbling over the fall, to that muddy, broad and mighty stream of the great Mississippi—a far cry from the cool clime of Minnesota to the magnolia blooms and the orange groves of our fair Louisiana; but between the two there runs that current of human sympathy, like a wireless overhead and an electric current underneath, that carries constant messages of love and fraternal affection and enduring regard and manly esteem; and New Orleans today is proud of the privilege she enjoys in seconding the nomination of F. R. Salisbury for our next president, in honoring whom we honor ourselves. (Great applause.)

James E. Porter, Pittsburgh—On behalf of the Pittsburgh delegation, it is my pleasure and privilege to second the nomination of Mr. Salisbury for president of the Association for the ensuing year.

E. F. Sheffey, Lynchburg—I come from away down South in the land of cotton, cinnamon seed and sandy bottom, way down in old Virginia. It was said sometime ago that a gentleman died and went to the pearly gates and was shown the heavenly mansion; everything was bright and glorious except over in one corner, where there were about a dozen men moping drearily, and St. Peter, in answer to a query, "Why do these people look so sad? I thought this was a place of gladness," and St. Peter said: "Yes, that is true, as a rule, but these are some homesick Virginians." (Laughter and applause.) Now, I can assure you that though the attendance from Virginia is not large, we are not homesick at all. A man said one time, with reference to Virginians, that we were very

much like potatoes, the best of them underground. (Laughter.) But with respect to homesick Virginians I would remark that we have not been homesick in Cincinnati, but if we should ever be fortunate enough to go to that heaven city presided over by St. Peter, if it should prove to be a better place or a hotter place, we do not know how we could stand it. (Great laughter and applause.)

Now, I will concede the fact that George Washington and Thomas Jefferson and James Madison and James Monroe and a number of those old worthies are indeed underground; but I have the privilege of coming from a little city down on the James, of thirty thousand inhabitants, Lynchburg, and that city fifty years ago gave birth to Robert Owen, now a United States senator, and today he heads the Banking and Currency Committee in the United States senate. Another resident of that city is owner of two newspapers, a man of national prominence and one who takes great interest in the work of this Association, who is chairman of the Banking and Currency Committee of the house; and he it is who introduced the bill into Congress that we hope will pass. Only eighty miles north, in the Shenandoah Valley, you remember the old days, just up there at an old Presbyterian manse, fifty-eight years ago was born Woodrow Wilson, the leader of this country. I think you will admit that while the sages of old from Virginia may be underground, that Wilson, Glass and Owens are far from being dead ones. (Applause.) Old Virginia never tires, and old Virginia, if it did not have a president, might as well lay claim to the presidency of this convention; but having Woodrow Wilson already, it seconds the nomination and feels it would be wise to rise and exclaim: "Well done, good and faithful servant Salisbury, enter thou into the second term." ((Long and continued applause.)

Daniel Ashworth, Pittsburgh—As I look upon this sea of intellectual faces, I am reminded of my studies in the history of France. I see before me the deputies of the national assembly; I see before me the representatives of great states, far greater than the province of France that extended from Lorraine to Marseilles; I see before my mind the sections of this great country that were once in arms against each other.

I am proud to live to participate in falling in the footsteps of my associate from the old state of Virginia. I carry my mind back fresh with the memory of my success in arms, if you please, upon the banks of the Rappahannock. I stand before you today with pride that the citizen and brother from New Orleans can take me by the hand, and we can say in the presence of this magnificent assembly of our national colors, that we represent only one undivided country. (Applause.) The confluence of the two great rivers, one from the North and the other from the South, that makes the mighty stream that pours down this valley to the Queen City of the West, and pours its waters unvexed into the Mississippi, and to the Crescent City of New Orleans, says today to the people of this continent: We are one people, and for one cause and one good; and the purification of our commercial lines, the high standard of elevation between man and man in his dealings with his fellow-man upon commercial lines, are to be the fruits of this magnificent gathering today.

This man, whom you have honored, stands without peer in the gatherings of this assembly, a fruitful, typical representative of the grand man of the United States of America—not sectional lines, no narrow limits, but spreading out, saying to all the world: Here is a man that we see fit to honor as the proud eminence of our gatherings today; and from the Crescent City, as it laves itself in the waters of the Mississippi, to the far-off hills of Vermont, New Hampshire and Pennsylvania, the

boys that wore the blue and the boys that wore the gray, stand together today, hand in hand, heart in heart, for the old flag, for one country, for an era of prosperity for man, and the elevation of woman to the higher qualities that God has given her upon the face of the earth. I second this nomination. (Great applause.)

Adolph Landauer, Milwaukee—I want to move you that the nominations be closed, that the rules be suspended and the secretary be instructed to cast the unanimous vote of this convention for Mr. Salisbury as our next president.

Motion seconded by A. H. Dobson, of Utica.

Mr. New (in chair)—The motion is that no more nominations be entertained, that the secretary be instructed to cast the vote of this convention for Mr. Salisbury for president for the coming year.

Unanimously carried and so done.

Mr. New (in chair)—The chair will ask R. P. Messiter, of New York, and George R. Barclay, of St. Louis, to find Mr. Salisbury and escort him to the platform.

(President-elect Salisbury was then escorted to the chair.)

Mr. New (in chair)—Mr. Salisbury, while you were detained for a few minutes out of this room, this convention saw fit to elect you for another year as president, and I wish to congratulate you on your election. (Applause.)

President Salisbury—I wish I could tell you how much I appreciate the confidence which you have shown in me by re-electing me as your president for another year. It indicates to me that you are satisfied with the character of the work and the amount of work I have done during the year in which I have been the presiding officer of your Association. Mr. New has only advised me that I have been elected president for another year. In view of the fact that I take it that my last year's work has been endorsed, I would like to ask the secretary-treasurer if my salary has been increased? (Laughter.)

Secretary Tregoe—Answering that question, you remember I took you last year on two trips. This year I will take you on four. (Great laughter.)

President Salisbury—I have not anything more to say; but as I said at first, I do appreciate your confidence in me. But you will remember that when I accepted the office a year ago, I placed upon you the responsibility of making my year's work a success, and I am here now to tell you that you have lived up to the request and to the burden that I placed upon you at that time; and it is to you, the members of the Association and the delegates assembled in the convention that is due the result that we have attained.

Now, I want to place you under the same obligation for another year. I feel more confident now than I did a year ago, because I can truthfully say that no man was called upon who did not respond immediately and give all the time that he could give to the work of our Association; and I believe that today you all feel amply repaid for the work that you have done and for what little I have done I can assure you I am more than repaid.

During the coming year I hope to do better than I have during the past. I am sure of your co-operation; I have confidence that the next year will be a better year than the last; I have confidence that our secretary will keep his word and make the president work harder, if possible, than he did last year. I am willing to work, willing to do anything I can for the advancement of our Association, and with just these few remarks

I wish again to thank you for your great kindness to me. (Great applause.)

(Mr. Salisbury then took the chair.)

President Salisbury—The next order of business is the election of a vice-president. I recognize Mr. Parker, of St. Paul.

H. W. Parker, St. Paul—I am cautioned by the president not to forget what I am here for. (Laughter.)

Mr. President.

President Salisbury—Mr. Parker.

Mr. Parker—Ladies and Gentlemen: When nations, states, municipalities and institutions desire to fill high offices, they aim to place in nomination men of the highest honor, integrity, ability and attainments, and that is true of this organization. I have asked the privilege of the floor, Mr. President, that I may place before you the name of a man who can fill the office, not only with honor to himself, but with credit and distinction to the Association. His name is quite well known to every one of you. He has labored in the vineyard, and through his zeal and untiring efforts has accomplished more for the Association probably than any other man. His achievements are chiseled deep upon the record tablets of our Association, and the hand of Time cannot obliterate them. The bankruptcy law, for instance, bears lasting testimony to his ceaseless and untiring efforts. He is one of that small, brilliant and distinguished army of men to whom the poet referred when he sang:

"The heights by great men reached and kept,
Were not attained by sudden flight;
But they, while their companions slept,
Were toiling upward through the night."

He is a man whom every member of this Association has placed within the citadel of his heart, and his face is enshrined therein; his is a kindly nature; when he passed along the highways the violets doffed their purple helmets in happy salutation. (Great applause.) At his approach the babbling brooks beat their lucid hands against the shore in fantastic greetings; and the feathered songsters, in their high lofts in the treetops, sing his praises, and all the world is glad he dwells therein.

I ask no greater privilege, Mr. President, than to place in nomination for the high and important office of first vice-president of this Association the man who holds such a firm grip upon our esteem and affection, Charles E. Meek, of New York. (Great applause.)

Charles D. Joyce, Philadelphia—What I have to say comes rather from the heart than from the head. I prefer to remain on the floor in the bosom of my own family than to come to the rostrum. In obedience to a desire which I cannot repress, I rise to second on behalf of the Philadelphia delegation the nomination of Charles E. Meek for the office of first vice-president of this Association. I can attest his usefulness and his fame and popularity in this Association, in the rank and file that have been earned by the arduous duties which he has performed, and the real greatness of the things which he has accomplished. During his years of honorable service as the active executive head of this Association, he was never unduly elated by success nor woefully depressed by adversity; he never attempted to enforce a policy except one that was for the good of the Association which he guided. Our position today in the commercial bodies of the world is due in no small measure to the dili-

gence, ability and faithfulness of this man. No one knows better than I that he does not need the individual endorsement of any association, for, Mr. Chairman, he possesses the united and unqualified support of all the local associations. (Applause.) I cannot refrain, however, Mr. Chairman, from placing on record Philadelphia's admiration for the man whom we all delight to honor and whom we all love to call our friend. (Great applause.)

Motion made that the nominations be closed, the rules be suspended, and that the secretary cast the unanimous ballot of the Association for Charles E. Meek for first vice-president of the Association for the coming year.

Motion seconded and unanimously carried.

Secretary Tregoe—The secretary with great pleasure and for this convention casts the unanimous ballot for Charles E. Meek as first vice-president of the National Association of Credit Men for the coming year.

President Salisbury—I therefore declare Charles E. Meek elected as first vice-president of the National Association for the coming year. (Great applause.)

Mr. Oatley and Mr. White were appointed a committee to escort Mr. Meek to the platform, which they did amidst great applause.

President Salisbury—Mr. Meek, it gives me great pleasure to inform you that you have been elected first vice-president of the National Association of Credit Men for the coming year. (Applause.)

Mr. Meek—I thank you much for your recognition. I am glad that I still retain your confidence. While I was out of the room I imagined from the voices which I heard echoing through the hall that President Salisbury was constructing the platform upon which he intends to stand during this year of his administration. I do not know what the nature of it is, I do not know how many planks he has put into it; but I know this, that any platform that President Salisbury constructs I am going to stand right alongside of him on. (Applause.) I know that everything that he intends to undertake is going to be for the good and the welfare of this organization, and "them's my sentiments, too." Now, it is unnecessary for me to address you at any great length; I will have opportunities, perhaps, some time later during the year to inflict myself upon you; but before sitting down I just want to say one word regarding the year that we are about to enter. In my opinion as a business man, it is probably as important a year as we have ever entered, with two or more great legislative matters to be disposed of, matters which are likely to create more or less disturbance before we adapt ourselves to the new laws which we believe will be put upon our statute books before the end of the year. This Association, the members of this organization, must take the same position which they have in the past, and stand shoulder to shoulder, keeping our organization as one great body throughout the United States for the purpose of sustaining the credit of the country. We must recognize this. It is no easy task; but past experience has demonstrated the fact that we have done it before and we can do it again. (Applause.) I again thank you for the confidence that you have shown in me, and renew the pledge that I will do everything possible within my power to promote the interests of this Association and will stand with the other members of the organization for everything which is right and proper and honorable in business methods. (Great applause.)

President Salisbury—The next order of business will be the election of a second vice-president of the Association.

W. B. Munroe, St. Louis—There are two kinds of people in the

world, the people who lift and the people who lean; and out in the Middle West where I come from, we take off our hats to the lifters, or in other words, to the men who do things. This Association has a great many men of that character in its ranks, but just at this time I am thinking of one particular man—a man who represents the type I speak of to a high degree. His ability in that direction is shown, not only in the work of his own local association and in the problems of his own city and state, but to a great degree in the affairs of the National Association. As the president of one of our largest local associations, and also from his untiring efforts and devotion to the work of the National Association, we have all had an excellent opportunity to find out this gentleman's ability to do things. For that reason, and as the representative of the St. Louis association, I consider it a great privilege and certainly a pleasure to present in nomination from the floor of this convention for the office of second vice-president of the National Association of Credit Men, the name of Hon. Enoch Rauh, of Pittsburgh, Pa. (Great applause.)

W. M. Pattison, Cleveland—Only a few years ago the Cleveland association had the proud distinction of having a membership in excess of any other local association. But there were other associations who were anxious to take ground from us and Pittsburgh was one. They asked use to send a representative to Pittsburgh to show them how we secured our membership. I remember that I was one of this committee and I am inclined to think we must have started them right, because they have been going ever since. Now, I am sure their success is largely due to the ability and the interest shown by their president; and on behalf of the Cleveland association it is an honor for me at this time to second the nomination of Enoch Rauh for second vice-president of the National Association of Credit Men for the ensuing year. (Great applause.)

President Salisbury—Are there any further nominations?

Arthur Parsons, Salt Lake City—I move that the rules be suspended and the secretary be instructed to cast the unanimous vote of this Association for Enoch Rauh for second vice-president for the ensuing year.

Motion seconded and unanimously carried.

Secretary Tregoe—The secretary takes great pleasure in acting in your behalf as a convention and casts your unanimous ballot for Enoch Rauh, of Pittsburgh, for second vice-president of the National Association of Credit Men for the ensuing year.

President Salisbury—Mr. Rauh, having received the unanimous ballot for second vice-president of this Association for the ensuing year, is duly declared elected.

Will Col. Ashworth and Mr. Morton please escort Mr. Rauh to the chair.

(This was done amid great applause.)

President Salisbury—It is with great pleasure, Mr. Rauh, that I inform you that you have been elected as second vice-president of this Association for the ensuing year, and I extend to you my congratulations. (Great applause.)

Mr. Rauh—I appreciate beyond the mere expression of words this great honor that you have conferred upon me again, for the second time, and as I stand here and look around this splendid audience and in your faces, I assure you it is a most inspiring sight. As the eye is an index to the brain, so I contend the face is the index of the human character. I can almost see the word "determination" written upon the brows of the men before me, men who by their ability, their intellectual energy, per-

severance, determination and grit, have made this Association the wonderful institution and organization that it is today.

I take the honor you have conferred on me as a particular compliment to the Pittsburgh association, an association that is decidedly loyal to the national body, an association consisting of fifteen bureaus and committees, and I am proud to say to you, good friends, that almost every chairman of these fifteen committees is here with you in attendance upon this national meeting. Now, this shows loyalty and interest in the work. My good friends, the national officers have even adopted the white carnation here this afternoon, which is our trade-mark in Pittsburgh (Great applause), and now when they adopt the publicity work, as has been suggested here this afternoon, why, then, all will be safe and well. (Great applause.)

I will detain you but for a moment. The weather is extremely hot today, there are twenty applicants for directorships waiting, and I only regret that these twenty able men cannot all be elected this afternoon. There is not one amongst the entire number but that would be a most excellent member of this splendid national body; but unfortunately our constitution only admits of ten being elected, and I do not wish to take up any of the time which will be devoted to the election of these men.

I say this to you again and again, that I desire to thank you from the very bottom of my heart for the splendid reception and for the honor that you have conferred on me this afternoon. (Great applause.)

President Salisbury—The next order of business is the election of directors.

Secretary Tregoe—The auditing committee, appointed by you at the opening session Tuesday afternoon, begs to offer this report:

"We hereby certify that we have examined the books and vouchers of the Association, and find that the accounts have been carefully kept, and that they have been duly checked and audited by a certified public accountant, and that the annual report submitted by the secretary-treasurer for the year ending May 31, 1913, showing a balance on hand of \$15,051.40, is a true and correct statement of the financial condition of the Association at the close of the fiscal year ending on the said date.

(Signed) OSCAR LOEFFLER,
ARTHUR PARSONS,
Auditing Committee."

President Salisbury—We will now proceed with the election of directors.

Secretary Tregoe—Before we proceed to the election of directors, with your permission, we shall name a committee of tellers who will take charge of the election, give directions concerning the ballot, how the ballot shall be assembled, and after the ballots have all been cast will ascertain the results and announce them later.

This committee consists of Charles E. Meek, chairman; H. R. Bridgeman, W. M. Lyman, H. A. White, F. R. Hamburger, R. W. Higgins, W. E. Stansbury, D. L. Sawyer, H. T. Hills, L. S. Goldstein, C. L. Richards, A. W. Pickford, Edward Weaver, C. D. McLaren, A. H. Dobson and E. M. Shepard.

With your permission Mr. Meek will give directions concerning the furnishing of the ballots to the members, directions as to how they shall be marked, how they shall be deposited and with his committee will take charge of the ballots and ascertain the results.

I have been asked by the Iowa delegates to request of you the privilege which I know will be conceded of withdrawing from the official ballot the name of J. M. Callander, of Des Moines; I have also been asked by the Dallas delegation the same privilege in behalf of J. N. Moylan, of Dallas. Please remember in marking the ballots that these names appearing on the ballot are not nominees.

(The ballot was then taken.)

President Salisbury—The delegates all having voted, if there are no objections we shall now declare the ballot closed.

Secretary Tregoe informs me there is no unfinished business.

Have we any miscellaneous business to come before us?

Frank Seed, San Francisco—At Boston last year the San Francisco delegation had the privilege and pleasure of inviting the Association to San Francisco for its 1915 meeting, the year of the Panama-Pacific Exposition, and the invitation was warmly supported by the officials of that celebration. The San Francisco delegation to this present convention have the same pleasure and privilege—with the continued support of the exposition people also of the San Francisco League, the latter organization having about the date of June eleventh, addressed a letter on the subject to the members of the National Association, which I will ask the secretary to read later. In the meantime I wish to amplify this letter by calling your attention to two or three facts of interest. In San Francisco we have at the present time 1,237 hotels and lodging houses, 90 per cent. of them new, with 60,000 rooms, and 655 restaurants and cafés, in addition to hotel dining rooms and grill rooms; and these accommodations are continually increasing, for San Francisco is going right ahead. I will say that the present population of our bay district, within a twenty-mile radius of the city hall, is over 700,000, and of San Francisco proper, based on school attendance, the population is 462,500. Our summers are cool, the average temperature 59 degrees, and without rain, thunder or lightning, so that every available moment for sight-seeing can be utilized. We feel that the usual convention period will be sufficient to instruct one, through the exposition, more as to the world's progress than could be obtained through many months of travel. So we ask you to come out, transact your association business under ideal surroundings, get first-hand knowledge of new industrial and trade conditions consequent upon the Panama Canal trade, and at the same time help to celebrate the two greatest achievements of the century—San Francisco rebuilt and the Panama Canal completed. You may rest assured that San Francisco's well-known reputation for hospitality will be worthily sustained. Notwithstanding the fact that 1915 is still some distance away, you have without exception been most kind in listening to our boosting since we arrived, and on behalf of the San Francisco delegation I wish to extend to you and the officers of the Association our heartfelt thanks for your courtesy in this regard. (Great applause.)

The secretary then read the letter as follows:

San Francisco, Cal., June 11, 1913.

To the Members of the National Association of Credit Men:

GENTLEMEN:

In behalf of the community of San Francisco, I have the honor to extend to you herewith a cordial and sincere invitation to hold your convention for the year 1915 in San Francisco. The people of this city will be proud, indeed, to become your hosts upon that occasion, and we feel that we will be able to entertain you in a befitting manner. The

great task of building the World's Fair, which will be one of the most magnificent and beautiful affairs of its kind ever held, will then have been completed and it will afford the members of your convention an opportunity to view one of the greatest engineering feats of modern times.

San Francisco will be glad to throw her golden portals open to you and bid thrice welcome, and her people entertain the hope that they may soon learn of your determination to honor them with your presence here in 1915.

FELTON TAYLOR,
Secretary.

(Seal)
San Francisco Convention League,
San Francisco, Cal.

(Applause.)

President Salisbury—The question of the selection of place of meeting being with the board of directors, this question of invitations should be placed with the secretary at the proper time.

Secretary Tregoe—Messrs. Alton, Crane, Smith, Sheffey and Moylan are requested to assist the tellers.

I want to say to the convention that never before in its history were so many invitations received from cities to hold within their portals the 1914 convention. I dared not bring to you all the invitations that we have had. I do not know whence comes our popularity. Nevertheless a great many cities of this country seem very anxious to entertain us next year. I feel in deference to a message reaching me by wire yesterday that I should present it to you, as a compliment at least and a courtesy to the sender of the message. It reads:

"The National Association of Credit Men, J. H. Tregoe, Secretary.

It will be a great pleasure for the City of Chicago to offer to the National Association of Credit Men the hospitality of our city in 1914, and we urge your acceptance of Chicago's invitation.

CARTER H. HARRISON, *Mayor.*

(Great applause.)

Another telegram:

"Chicago Association of Commerce, representing four thousand business firms and individuals, with pleasant persistence"—that is good, I want to read that again—"with pleasant persistence urges the National Association of Credit Men to convene their 1914 convention in Chicago.

(Signed) CHICAGO ASSOCIATION OF COMMERCE."

The Burlington association, situated in Vermont, holding a very peculiar position upon the firing line in New England, with very little wholesale trade to draw from, has a very warm heart for visitors, and I have been asked by Secretary Howard to say that they would appreciate it whenever the credit men of this country and of our Association are going through New England, as Burlington is one of the points very often visited by tourists, if they will notify him, that he may give a welcome, that he may benefit by their experience and that they may be the guests of the Burlington association. (Applause.)

President Salisbury—The tellers have informed me that they hope to have the ballots counted and result known at six o'clock, and therefore I will declare a recess until six o'clock in this room.

An adjourned meeting of the convention was called to order by the president at 6.15 o'clock P. M.

President Salisbury—We shall listen to the report of the tellers, which will be read by the secretary.

Secretary Tregoe—The tellers, under the direction of Mr. Meek, chairman, have assembled the ballots, counted them and placed them in my hands.

The ten nominees who are elected to the board are as follows:

| Name. | Vote. |
|-----------------------|--------|
| Samuel Mayer | 13,906 |
| H. G. Moore | 13,880 |
| A. C. Carpenter | 13,766 |
| H. W. Parker | 13,580 |
| S. J. Whitlock | 13,501 |
| E. M. Underwood | 13,236 |
| C. D. Joyce | 13,170 |
| W. M. Pattison | 11,409 |
| C. R. Burnett | 11,168 |
| R. J. Morawetz | 10,138 |

President Salisbury—Samuel Mayer, H. G. Moore, A. C. Carpenter, H. W. Parker, S. J. Whitlock, E. M. Underwood, C. D. Joyce, W. M. Pattison, C. R. Burnett and R. J. Morawetz, having each received a majority of all the votes cast, are declared duly elected as directors of the National Association of Credit Men for two years.

Secretary Tregoe—May I ask the directors to meet in Room 200, the reception room, where the directors' meeting will be held at the close of this session.

President Salisbury—There being no further business before the convention I now declare the convention adjourned *sine die*.

Directory of Officers of the Affiliated Branches of the National Association of Credit Men.

(Arranged Alphabetically by States)

ALABAMA, Birmingham—Merchants and Manufacturers Association of Birmingham. President, M. P. Northington, Doster-Northington Drug Co.; Secretary, J. A. Coker, Birmingham Paper Co.; Assistant Secretary, R. H. Eggleston, Chamber of Commerce Bldg.; Manager, J. T. Slatten, 612-14 Chamber of Commerce Bldg.

ALABAMA, Montgomery—Montgomery Association of Credit Men. President, S. J. Winter, Winter-Loeb Grocery Co.; Secretary, Charles D. Tallman, Commercial Fertilizer Co.; Asst. Secretary, J. M. Holloway, Bell Bldg.

ALABAMA, Selma—Selma Association of Credit Men. President, R. H. Agee, R. H. & W. C. Agee; Secretary, R. M. Waters, Tissier Hardware Co.

ARKANSAS, Fort Smith—Fort Smith Association of Credit Men. President, M. T. Dyke, Dyke Bros.; Secretary, Ben D. Kimpel, 606 Merchants National Bank Bldg.

CALIFORNIA, Los Angeles—Los Angeles Credit Men's Association. President, Joseph D. Simpson, Simpson-Hack Fruit Co.; Secretary, W. C. Musket, 512 Union League Bldg.

CALIFORNIA, San Diego—The Credit Association of San Diego. President, E. V. Barnes, Doyle-Barnes Co.; Secretary, G. F. Hoff, 403-4 Union Bldg.

CALIFORNIA, San Francisco—San Francisco Credit Men's Association. President, J. B. McCarger, Crocker National Bank; Secretary, Charles T. Hughes, Illinois Surety Co., 503-4 Merchants National Bank Bldg.

COLORADO, Denver—Denver Credit Men's Association. President, Wm. H. Wylie, The Wilson, Freedheim & Wylie Merc. Co.; Secretary, J. L. McCarthy, Daniels & Fishers Stores Co.; Assistant Secretary, E. A. Howell, 613 Foster Bldg.

COLORADO, Pueblo—Pueblo Association of Credit Men. President, T. Barbrick, A. McClelland M. I. & R. Co.; Secretary, I. W. Veasey, Brinkley-Douglas Fruit Co.; Assistant Secretary, E. C. Abel, 122 Pope Block.

CONNECTICUT, Hartford—Hartford Association of Credit Men. President, J. H. King; Secretary, C. de L. Alton, J. B. Williams Co., Glastonbury, Conn.

DISTRICT OF COLUMBIA, Washington—Washington Association of Credit Men. President, Henry H. McKee, National

Capital Bank; Secretary, Thomas Grant, Chamber of Commerce.

FLORIDA, Jacksonville—Jacksonville Credit Men's Association. President, John S. Bond, Bond & Bours Co.; Secretary, J. W. Pettyjohn, Covington Company.

GEORGIA, Atlanta—Atlanta Association of Credit Men. President, E. L. Adams, E. L. Adams & Co.; Secretary, E. L. Rhoades, Ernest L. Rhoades & Co.; Acting Secretary, H. T. Moore, Atlanta Association of Credit Men.

GEORGIA, Savannah—Savannah Credit Men's Association. President, Marvin O'Neal, H. S. Meinhard & Bro.; Secretary, W. R. Finegan, Chamber of Commerce.

IDAHO, Boise—Boise Association of Credit Men, Ltd. President, J. G. H. Graveley, Capital Brokerage and Comm. Co.; Secretary, D. J. A. Dirks, 305-306 Idaho Bldg.

ILLINOIS, Chicago—Chicago Association of Credit Men. President, Henry W. Hardy, Libby, McNeil & Libby; Secretary, D. E. Humphrey, 10 So. La Salle St.

ILLINOIS, Decatur—Decatur-Springfield Association of Credit Men. President, A. J. Murray, National Grocer Co.; Secretary, T. A. Stecher, C. E. Ward, Decatur, Ill.

ILLINOIS, Peoria—Peoria Association of Credit Men. President, J. R. Binford, Keystone Steel & Wire Co.; Secretary, J. W. Atkins, Kingman Plow Co.

INDIANA, Evansville—Evansville Association of Credit Men. President, Chas. Bohannon, Hercules Buggy Co.; Secretary, H. W. Sparrenberger, Parsons & Scoville Co.

INDIANA, Indianapolis—Indianapolis Association of Credit Men. President, Henry A. Jeffries, Kingan & Co., Ltd.; Secretary, A. B. Cronk, Born & Co., 509 Majestic Bldg.

IOWA, Cedar Rapids—Cedar Rapids Association of Credit Men. President, E. E. Wilcox, Cedar Rapids Commission Co.; Secretary, Thos. B. Powell, 702-704 Security Savings Bank Bldg.

IOWA, Davenport—Davenport Association of Credit Men. President, George W. Noth, Davenport Bag and Paper Co.; Secretary, Isaac Petersberger, 222 Lane Bldg.

IOWA, Des Moines—Des Moines Credit Men's Association. President, Wm. Lawrence, Herman Glove Co.; Secretary, G. B. Voorhees, Langan Bros.

IOWA, Sioux City—Sioux City Association of Credit Men. President, J. K. Irvine, Knapp & Spencer Co.; Secretary, A. P. Soelberg, Sioux City Crockery Co.

KANSAS, Wichita—Wichita Association of Credit Men. President, Fred Young, Young Bros. Hat Co.; Secretary, Z. S. Gwaltney, 405 Michigan Bldg.

KENTUCKY, Lexington—Lexington Credit Men's Association. President, S. B. Royster, Lexington Dry Goods Co.; Secretary, C. L. Williamson, McClelland Bldg.

KENTUCKY, Louisville—Louisville Credit Men's Association. President, Clarence Braden, Federal Chemical Co.; Secretary, Chas. Fitzgerald, U. S. Trust Co. Bldg.

LOUISIANA, New Orleans—New Orleans Credit Men's Association. President, A. C. Carpenter, Gulf Bag Co.; Secretary, T. J. Bartlette, Williams, Richardson & Co., Ltd.

MARYLAND, Baltimore—The Credit Men's Association of Baltimore. President, S. G. Rosson, Mercantile Security Co.; Secretary, S. D. Buck, 100 Hopkins Pl.

MASSACHUSETTS, Boston—Boston Credit Men's Association. President, George C. Morton, Carpenter-Morton Co.; Secretary, Herbert A. Whiting, 77 Summer St.

MASSACHUSETTS, Springfield—Springfield Association of Credit Men. President, A. W. Gilbert, Chapman Valve Mfg. Co.; Secretary, L. E. Herrick, Victor Sporting Goods Co.

MASSACHUSETTS, Worcester—Worcester Association of Credit Men. President,

Harry C. Coley, Howard Bros. Mfg. Co.; Secretary, H. A. Stanton, Suite 2, 18 Walnut St.

MICHIGAN, Detroit—Detroit Credit Men's Association. President, Arthur E. Johnson, The Pingree Company; Secretary, H. L. Chittenden, Peninsular State Bank.

MICHIGAN, Grand Rapids—Grand Rapids Credit Men's Association. President, Christian Gallmeyer, Kempis & Gallmeyer Foundry Co.; Secretary, A. K. Tyson, Powers-Tyson Printing Co.

MINNESOTA, Duluth—Duluth Association of Credit Men. (Duluth-Superior.) President, H. A. Sedgwick, Marshall-Wells Hardware Co.; Secretary, W. M. Bergin, 621 Manhattan Bldg.

MINNESOTA, Minneapolis—Minneapolis Association of Credit Men. President, G. T. Freeman, Gamble-Robinson Corn Co.; Secretary, M. C. Badger, T. W. Stevenson Co.

MINNESOTA, St. Paul—St. Paul Association of Credit Men. President, Norman Fetter, Lindeke, Warner & Sons; Secretary, Wm. D. Fritz, St. Paul Rubber Co.

MISSOURI, Kansas City—Kansas City Association of Credit Men. President, C. E. Vandel, Western Electric Co.; Secretary, Marvin Orear, 1217 Union Ave.

MISSOURI, St. Joseph—St. Joseph Credit Men's Association. President, T. E. Moss, American Sash & Door Co.; Secretary, L. H. Smith, Hax-Smith Furniture Co.

MISSOURI, St. Louis—St. Louis Association of Credit Men. President, W. B. Munroe, Simmons Hdwe. Co.; Secretary, C. P. Welsh, 303 Security Bldg.; Assistant Secretary, T. P. Stillwell.

MONTANA, Butte—Butte Association of Credit Men. President, C. E. Youlden, Davidson Gro. Co.; Secretary, J. E. Harrigan, Hennessy Company; Assistant Secretary, C. E. Alsop, Ind. Tel. Bldg.

NEBRASKA, Lincoln—Lincoln Credit Men's Association. President, G. E. Evans, Hinckle-Joyce Co.; Secretary, H. T. Folsom, Union Coal Co.

NEBRASKA, Omaha—The Omaha Association of Credit Men. President, L. L. French, Omaha Wall Paper Co.; Secretary, E. G. Jones, Credit Clearing House.

NEW JERSEY, Newark—Newark Association of Credit Men. President, Irving C. Brown, L. Bamberger & Co.; Secretary, J. Fred Braun, J. J. Hockenjos Co.

NEW YORK, Buffalo—Buffalo Association of Credit Men. President, J. B. Dwyer, Ontario Biscuit Co.; Secretary, Harry R. Bridgeman, 904-6 D. S. Morgan Bldg.

NEW YORK, New York—New York Credit Men's Association. President, George H. Williams, H. A. Caesar & Co.; Secretary, A. H. Alexander, 320 Broadway.

NEW YORK, Rochester—Rochester Credit Men's Association. President, J. W. Fulmer, James Cunningham Son & Co.; Secretary, Edward Weter, Yawman & Erbe Mfg. Co.

NEW YORK, Syracuse—Syracuse Association of Credit Men. President, M. W. Henley, Frazer & Jones Co.; Asst. Secretary, Robert S. Betterton, 329 University Bldg.

NEW YORK, Utica—Utica Association of Credit Men. President, A. H. Dobson, Charles Millar & Son Co.; Secretary, Fred W. Wienke, care Charles Millar & Son Co.

NORTH CAROLINA, Charlotte—Charlotte Association of Credit Men. President, Clarence O. Kuester, Kuester-Lowe Co.; Secretary, Leake Caraway, Greater Charlotte Club.

NORTH CAROLINA, Wilmington—Wilmington Association of Credit Men. President, L. E. Hall, Hall & Pearsall, Inc.; Secretary, Stuart R. Keyes, Bureau of Credits.

NORTH DAKOTA, Fargo—Fargo Association of Credit Men. President, J. W. McHose, McHose & Pardoe; Secretary, H. L. Loomis, N. W. Mutual Savings and Loan Ass'n.

NORTH DAKOTA, Grand Forks—Grand Forks Association of Credit Men. President, W. G. McDonald, Nash Bros.; Secretary, F. D. Cameron, Park, Grant & Morris Gro. Co.

OHIO, Cincinnati—Cincinnati Association of Credit Men. President, Samuel Mayer, Isaac Faller's Sons & Co.; Secretary, I. M. Freiberg, 904-5 Commercial Tribune Bldg.

OHIO, Cleveland—Cleveland Association of Credit Men. President, Warren E. Clarke, The Cohn-Goodman Co.; Secretary, H. J. Bruehler, 505 Chamber of Commerce Bldg.

OHIO, Columbus—Columbus Credit Men's Association. President, J. B. White, White-Haines Opt. Co.; Secretary, Benson G. Watson, 411-420 The New First National Bank Bldg.

OHIO, Toledo—Toledo Association of Credit Men. President, J. L. Hoeltzel, Defiance Tick Mitten Co.; Secretary, Fred A. Brown, address care association.

OHIO, Youngstown—Youngstown Association of Credit Men. President, J. L. Wick, Jr., Crystal Ice & Storage Co.; Secretary, W. C. McKain, 1106-7 Mahoning National Bank Bldg.

OKLAHOMA, Oklahoma City—Oklahoma City Credit Men's Association. President, B. W. Haggerty, Morris & Co.; Secretary, K. P. Gordon, 1217 Colcord Bldg.

OREGON, Portland—Portland Association of Credit Men. President, B. K. Knapp, 7½ First St.; Secretary, C. R. Miller, Portland Gas & Coke Co.

PENNSYLVANIA, New Castle—New Castle Association of Credit Men. President, J. Lee McFate, McFate & Lockhart; Secretary, Roy M. Jamison, 509 Greer Block.

PENNSYLVANIA, Philadelphia—Philadelphia Association of Credit Men. President, Chas. D. Joyce, The A. Colburn Co.; Secretary, J. A. McKee, Jr., Room 801, 1011 Chestnut St.

PENNSYLVANIA, Pittsburgh—Pittsburgh Association of Credit Men. President, Enoch Rauh, Rauh Bros. & Co.; Secretary, A. C. Ellis, Renshaw Bldg.; Assistant Secretaries, A. C. Bunce, Renshaw Bldg., and Roy D. Schooley, Pittsburgh Chronicle Telegraph.

PENNSYLVANIA, Scranton—Scranton Association of Credit Men. President, Willard Matthews, C. P. Matthews & Sons, Inc.; Secretary, Burton L. Harris, 31 Lackawanna Ave.

RHODE ISLAND, Providence—Providence Association of Credit Men. President, W. B. Ayer, Belcher & Loomis Hardware Co.; Secretary, Irving F. Orr, Clason Architectural Metal Works.

SOUTH CAROLINA, Charleston—Charleston Association of Credit Men. President, E. H. Rawls, Fincken-Jordan Co.; Secretary, Herbert Smith, Jr., 214 People's Bank Bldg.

SOUTH CAROLINA, Columbia—Columbia Association of Credit Men. President, E. N. Joyner, Southern States Supply Co.; Secretary, C. J. Kimball, 9 Hook Bldg.

SOUTH DAKOTA, Sioux Falls—Sioux Falls Association of Credit Men. President, B. S. Reardon, Dakota Iron Store; Secretary, H. W. Hopewell, Interstate Fruit Co.

TENNESSEE, Chattanooga—Chattanooga Association of Credit Men. President, Jno. L. Handy, Handy-Goodman-Heggie Co.; Secretary, D. S. Forsythe, Buster Brown Hosiery Mill.

TENNESSEE, Knoxville—Knoxville Association of Credit Men. President, W. M. Bonham, C. M. McClung & Co.; Secretary, A. J. Pettway, J. T. McTeer Co. Co.

TENNESSEE, Memphis—Memphis Association of Credit Men. President, W. E. Stansbury, Goodbar & Co., Inc.; Secretary, Oscar H. Cleveland, Business Men's Club Bldg.

TENNESSEE, Nashville—Nashville Credit Men's Association. President, D. W. Binns, Jones & Hopkins Mfg. Co.; Secretary, Chas. H. Warwick, 804 Stahlman Bldg.

TEXAS, Dallas—Dallas Association of Credit Men. President, J. G. Davis, Greiner-Kelly Drug Co.; Secretary, Edw. B. Williams, Edw. B. Williams & Co.

TEXAS, El Paso—El Paso Association of Credit Men. President, Joseph A. Wright, El Paso Grain & Milling Co.; Secretary, S. W. Daniels, 35 City Nat. Bank Bldg.

TEXAS, Fort Worth—Fort Worth Association of Credit Men. President, C. C. Drake, Monning Dry Goods Co.; Secretary, H. C. Burke, Jr., Henry C. Burke & Sons.

TEXAS, Houston—Houston Association of Credit Men. President, J. B. Adoue, Adoue-Blaine Hdw. Co.; Secretary, M. R. Robson, Schumacher Grocery Co.

TEXAS, San Antonio—San Antonio Association of Credit Men. President, D. J. Straus, L. Frank Saddlery Co.; Secretary, George T. Allenworth, Allenworth-Carnahan Co.; Asst. Secretary, Henry A. Hirshberg, Chamber of Commerce.

UTAH, Salt Lake City—Utah Association of Credit Men. President, Arthur Parsons, Z. C. M. I.; Secretary, P. L. Doran, Symms Utah Grocer Co.; Asst. Secretary, Walter Wright, P. O. Box 886.

VERMONT, Burlington—Burlington Association of Credit Men. President, Smith F. Henry, Vermont Hdw. Co.; Secretary, H. S. Howard, Howard's Insurance Agency.

VIRGINIA-TENNESSEE, Bristol—Bristol Association of Credit Men. President, L. H. Wilson, E. W. King Co.; Secretary, E. M. Woolsey, Head-Lipscomb-McCormick Co.

VIRGINIA, Lynchburg—Lynchburg Credit Men's Association. President, J. A. Faulkner, Beasley Shoe Co.; Secretary, John R. Turner, Cosby Shoe Co.

VIRGINIA, Norfolk—Norfolk Association of Credit Men. President, H. G. Barbee, Harris, Woodson, Barbee Co.; Secretary, C. L. Whichard, Whichard Brothers Co.; Assistant Secretary, Shelton N. Woodward, Royster Bldg.

VIRGINIA, Richmond—Richmond Credit Men's Association. President, John S. Harwood, Harwood Bros.; Secretary, Jo. Lane Stern, 905 Travelers Insurance Bldg.

VIRGINIA, Roanoke—Roanoke Association of Credit Men. President, S. H. Coleman, F. B. Thomas & Co.; Secretary, P. H. Trout, Moir & Trout, Inc.

WASHINGTON, Seattle—Seattle Merchants and Credit Men's Association. President, Arthur G. Foster, Seattle Mattress and Upholstery Co.; Secretary, S. T. Hills, Polson Bldg.

WASHINGTON, Spokane—Spokane Merchants' Association. President, R. C. Dillingham, Jones & Dillingham Co.; Secretary, J. B. Campbell, 1124 Old National Bank Bldg.

WASHINGTON, Tacoma—Tacoma Association of Credit Men. President, J. H. Weer, West Coast Grocery Co.; Secretary, J. D. Benner, 802-4 Tacoma Bldg.

WEST VIRGINIA, Charleston—Charleston Association of Credit Men. President, Leroy Swinburn, Elk Milling & Produce Co.; Secretary, Okey Johnson, Abney-Barnes Co.

WEST VIRGINIA, Wheeling—Wheeling Association of Credit Men. President, Geo. D. Maxwell, Hicks and Hoge D. G. Co.; Secretary, John Schellhase, Natl. Exchange Bank Bldg.

WISCONSIN, Green Bay—Wholesale Credit Men's Association of Green Bay. President, H. G. Stolz, Morley-Murphy Hdw. Co.; Secretary, L. D. Jaseph, Cady, Strehlow & Jaseph.

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"My brain is finer than any machine ever made," she argued, "but it isn't a machine. Work that a machine can do isn't fit work for my brain."

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Directory of Adjustment Bureaus

Bureaus for the adjustment of insolvent estates are operated in the following cities, under the authority and supervision of their local Associations of Credit Men. All are affiliated branches of the National Association of Credit Men. Address all communications on Adjustment Bureau matters to the manager as such.

CALIFORNIA, Los Angeles—F. C. De Lano, Mgr., 600 Equitable Savings Bank Building.
CALIFORNIA, San Diego—G. F. Hoff, Mgr., 403-4 Union Building.
CALIFORNIA, San Francisco—Charles T. Hughes, 503-4 Merchants Nat'l Bank Bldg.
COLORADO, Denver—C. N. Kinney, Mgr., 409 Sugar Building.
COLORADO, Pueblo—E. C. Abel, Mgr., 122 Pope Block.
GEORGIA, Atlanta—H. A. Ferris, Mgr., Rhodes Building.
IDAHO, Boise—D. J. A. Dirks, Mgr., 305-306 Idaho Building.
ILLINOIS, Chicago—M. C. Rasmussen, Mgr., 10 So. La Salle Street.
INDIANA, Indianapolis—Indianapolis Credit Men's Adjustment Bureau, 403 Commercial Club Building.
IOWA, Cedar Rapids—Thomas B. Powell, Mgr., 702-4 Security Savings Bank Building.
IOWA, Davenport—Isaac Petersberger, Secretary, 222 Lane Building.
IOWA, Des Moines—A. W. Brett, Mgr., 708 Youngman Building.
KENTUCKY, Lexington—C. L. Williamson, Mgr., 726 McClelland Building.
KENTUCKY, Louisville—Chas. Fitzgerald, Mgr., United States Trust Co. Building.
LOUISIANA, New Orleans—W. C. Lovejoy, Superintendent, 607-609 Canal, La. Bank Building.
MARYLAND, Baltimore—S. D. Buck, Mgr., 100 Hopkins Place.
MICHIGAN, Grand Rapids—R. J. Cleland, Mgr., 201 Board of Trade Building.
MINNESOTA, Duluth—W. M. Bergin, Mgr., Duluth Jobbers' Credit Bureau, Inc., 621 Manhattan Building.
MINNESOTA, Minneapolis—J. P. Galbraith, Mgr., 501-508 Endicott Building, St. Paul, Minn.
MINNESOTA, St. Paul—J. P. Galbraith, Mgr., 501-508 Endicott Building.
MISSOURI, Kansas City—Frank W. Yale, Mgr., 315 Dwight Building.
MISSOURI, St. Joseph—St. Joseph Adjustment Co., Inc., John S. Whithinghill, Mgr.
MISSOURI, St. Louis—A. H. Foote, Mgr., 305-6 Security Building.
MONTANA, Butte—C. E. Alsop, Mgr., Independent Telephone Building.
NEW YORK, Buffalo—Wilbur B. Grandison, Mgr., 905-6 D. S. Morgan Building.
OHIO, Cincinnati—I. M. Freiberg, Mgr., 904-5 Commercial Tribune Building.
OHIO, Cleveland—T. C. Kellar, Commissioner, 505 Chamber of Commerce Bldg.
OHIO, Columbus—B. G. Watson, Mgr., The New First National Bank Building.
OHIO, Youngstown—W. C. McKain, Mgr., 1106-7 Mahoning National Bank Bldg.
OREGON, Portland—R. L. Sabin, Mgr., Merchants' Protective Association, 7 First Street.
PENNSYLVANIA, New Castle—Roy M. Jamison, Mgr., 509 Greer Block.
PENNSYLVANIA, Philadelphia—J. A. McKee, Jr., Room 801, 1011 Chestnut Street.
PENNSYLVANIA, Pittsburgh—A. C. Ellis, Mgr., Renshaw Building.
PENNSYLVANIA, Scranton—Burton L. Harris, Secretary, 31 Lackawanna Avenue.
SOUTH CAROLINA, Columbia—C. J. Kimball, Mgr., 9 Hook Building.
TENNESSEE, Chattanooga—J. H. McCallum, Mgr., Hamilton Nat. Bank Building.
TENNESSEE, Nashville—C. H. Warwick, Mgr., 804 Stahlman Building.
TEXAS, Dallas—Edw. B. Williams, Mgr., Edw. B. Williams & Co.
TEXAS, El Paso—S. W. Daniels, Mgr., 35 City National Bank Building.
TEXAS, San Antonio—Henry A. Hirshberg, Mgr., Chamber of Commerce Bldg.
UTAH, Salt Lake City—Walter Wright, Mgr., P. O. Box 886.
VIRGINIA, Norfolk—Shelton N. Woodard, Mgr., Royster Building.
VIRGINIA, Richmond—Jos. Lane Stern, Secretary, 905 Travelers' Insurance Bldg.
WASHINGTON, Seattle—S. T. Hills, Mgr., Polson Building.
WASHINGTON, Spokane—J. B. Campbell, Mgr., 1124 Old National Bank Building.
WASHINGTON, Tacoma—J. D. Benner, Mgr., 802-4 Tacoma Building.
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